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ABSTRACT

This collection of 12 papers examines the governance and funding of higher education in Australia, focusing on the national education reforms of 1987-88 and their effect on universities. Papers include: (1) "Higher Education in International Perspective" (David M. Cameron); (2) "Governance and Funding of Higher Education" (David Kemp); (3) "Funding Higher Education" (Peter Baldwin); (4) "Intergovernmental Relations in Australian Higher Education: A Critique" (Neil Marshall); (5) "Governance and Influence in Higher Education in Australia" (Leo West); (6) "Changing Commonwealth-State Roles in Higher Education: A Comment on Developments in Victoria, 1988-1991" (Ron Cullen); (7) "Past, Present, and Future: The Australian University in the Twenty-First Century" (Peter Karmel); (8) "Financing Higher Education: A National Program Management Perspective" (Michael Gallagher); (9) "Funding of Australian Universities: Future Diversity and Adversity?" (Gordon Stanley); (10) "The Institutional Perspective: Autonomy and the Interface with Government" (David Penington); (11) "Governance and Funding of Higher Education" (Leonie Kramer); and (12) "Managerialism, Economic Rationalism, and Higher Education" (Bob Bessant). Commentary is provided by Grant Harman, Roger Scott, Ken McKinnon, Bruce Chapman, Frank Hambly, Vin Massaro, Brian Wilson, Rae Wear, and Adam Graycar. Concluding remarks are provided by Di Zetlin, Campbell Sharman, and David Cameron. (MDM)

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FEDERALISM AND PUBLIC POLICY

The Governance and Funding of Australian Higher Education

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NEIL MARSHALL
AND CLIFF WALSH
EDITORS

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FEDERALISM RESEARCH CENTRE
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FEDERALISM AND PUBLIC POLICY

THE GOVERNANCE AND FUNDING OF AUSTRALIAN HIGHER EDUCATION

FEDERALISM AND PUBLIC POLICY

The Governance and Funding of Australian Higher Education

NEIL MARSHALL
AND CLIFF WALSH
EDITORS

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FOREWORD

THE FEDERALISM RESEARCH CENTRE

The Centre was established by the Australian National University in 1972 (initially under the name Centre for Research on Federal Financial Relations), with financial support from the Commonwealth, to undertake independent research into issues affecting financial relations within the Australian federal system. From the beginning of 1990, all State and Territory governments agreed to join in the funding of the Centre, and the opportunity was taken to adopt the Centre's current name to reflect the increased breadth of its interests and activities.

The Centre's research focusses not only on fiscal and economic issues encompassing the activities of all spheres of government, but also on the constitutional and institutional arrangements, and the operating conventions, which shape and constrain political, administrative and financial relations within federal systems. FRC's research activities thus involve both 'fiscal federalism' and 'intergovernmental relations' and bring to bear perspectives drawn from a range of disciplines, including economics, political science, public administration and constitutional law. Although the Centre's principal focus is on the development of ideas particularly relevant to the Australian federal system, it takes a keen interest in lessons that can be learned from other federal systems through comparative studies.

Having only a small permanent staff, collaborative research with other organisations and individuals is a major feature of the Centre's operation. It has a network of Interest Groups around the States, and an active Visitors Program designed to enhance interaction with academics, officials and other experts from elsewhere in Australia and overseas.

The Centre's work program is planned in consultation with a Research Advisory Committee, membership of which reflects the interests of the Commonwealth, State, Territory and local governments, as well as of ANU and other universities, and includes representatives of private sector organisations.

The results of research are published in books, monographs, and a discussion paper series, as well as in journal articles. Views expressed in the Centre's publications are those of individual authors and no endorsement by the Centre or by the University is implied.

LIST OF ABBREVIATIONS

ANZAAS	Australian and New Zealand Association of the Advancement of Science
AOU	Academic Organisation Unit
ARC	Australian Research Council
AUC	Australian Universities Commission
AVCC	Australian Vice-Chancellors' Committee
CAE	College of Advanced Education
CTEC	Commonwealth Tertiary Education Commission
DEET	Department of Employment, Education and Training
EFTSU	Effective Full Time Student Unit
FAUSA	Federated Australian University Staff Association
FRE	Free Remission Entitlement
HEC	Higher Education Council
HECS	Higher Education Contribution Scheme
NBEET	National Board of Emplopyment, Education and Training
NHMRC	National Health and Medical Research Council
R&D	Research and Development
RFM	Relative Funding Model
SES	Senior Executive Service
TAFE	Technical and Further Education
UACA	Union of Australian College Academics
UC	Universities Commission
UGC	University Grants Commission

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PREFACE

For almost thirty years prior to 1987, Australian higher education was administered and controlled very largely by Commonwealth statutory education commissions. This form of governance began with the establishment of the Australian Universities Commission in 1959. It was extended to the (then new) colleges of advanced education sector in 1966, and again to Technical and Further Education in 1974. All three bodies subsequently were subsumed within the overarching Commonwealth Tertiary Education Commission (CTEC) in 1979.The various commissions enjoyed the support of successive federal and state governments and presided over an era of sustained development that was characterised by stability in planning and certainty of purpose.

Financial arrangements underwent similar evolutionary change. After an initial period of sole dependence on state authorities for support, a system of shared grants between the states and the Commonwealth was introduced in the 1950s. This was followed in 1974 by the federal government adopting complete responsibility for the funding of universities and colleges of advanced education.

All the commissions enjoyed a high degree of autonomy in relation to policy-making functions. This, together with the fact that many of the commissioners were experienced academic administrators, resulted in the commissions adopting a collegial operating style which enabled them to foster a close rapport with their constituent institutions. There was always a lively discourse between participants within these arenas over substantive issues, but the parameters of discussion were usually contained by a shared perspective over basic objectives and functions. From time to time issues involving higher education reached the level of 'strategic' policy concerns (for example, the question of fees and access for lower income groups in the mid-1970s). On the whole, however, governments and the wider community generally expressed minor interest in an arena that appeared to have only marginal relevance to economic considerations and which dealt with a relatively small and elite segment of the population.

This somewhat closeted environment changed quite dramatically with the implementation of the Hawke government's higher education reforms of 1987–88. CTEC was abolished and its administrative and regulatory functions taken over by the Department of Employment Education and Training (DEET). A new statutory authority — the National Board of

Employment, Education and Training (NBEET) — was created to provide policy advice to the government. All campuses subsequently joined the Unified National System and submitted profile plans for future institutional development, a mechanism that ensured enhanced institutional accountability and which provided an effective medium through which the Commonwealth could pursue natonal priorities. The binary divide was lifted with the objective of establishing a more equitable operating milieu for all campuses. Free tertiary education (which prevailed from 1974–1988) has been replaced by the introduction of the Higher Education Contribution Scheme and fees which, in 1990, accounted for about 20 per cent of total university income (there are now very few colleges). Significant increases in Commonwealth grants to the higher education sector has seen student enrolments grow by some 35 per cent between 1987 and 1991. This expansion has moved Australia well along the continuum from an elite to a mass sytem of higher education. Internally, campuses are beginning to adopt a corporate approach to managing their activities. These developments, to list only a few, have altered substantially the function and purpose of the universities.

Unlike during the period of the statutory education commissions, there has been widespread questioning of the suitability and efficacy of the structures and processes that have been put in place in the wake of the Green and White papers of 1987 and 1988 respectively. DEET has frequently been criticised for imposing overly centralised bureaucratic controls on campuses which weaken institutional autonomy. NBEET has been depicted as lacking independence and being ineffectual in operation. Concern has been expressed that the Commonwealth's pursuit of national objectives is not only misplaced, but also distorts unacceptably the independent missions of the universities. The removal of the binary system, in some quarters, is perceived as having resulted in reduced diversity of campus activity. The introduction of market mechanisms and the fostering of a competitive ethos, although receiving general support, are seen as uncomfortably juxtaposed with bureaucratic regulatory demands. The federal government's policy on fees and the Higher Education Contribution Scheme has drawn fire from both students and academic organisations for being discriminatory and inconsistent in approach. Funding for higher education as a whole is widely viewed as inadequate and a potential threat to the quality of service offered. Within institutions, the effect of corporate management practices upon traditional collegiate processes has aroused unease among teaching and research staff.

A prolonged and often intense debate has been evident over issues related to the administration and financing of Australian higher education. Not only has the debate been characterised by diverging opinion from within the academic sector, but a significant gulf also has opened up between the stances adopted by campus personnel and their counterparts in government and bureaucracy. The sense of community and shared values that underpinned the scope of discourse in the early 1980s has broken down.

It was against this background of disagreement over fundamentals that a conference on the governance and funding of Australian higher education was mounted by the Federalism Research Centre in February 1992. A further reason for holding the conference, and the immediate catalyst for a Centre concerned with the study of federalism to organise it, was the fact that, as part of (then) Prime Minister Hawke's new federalism initiative, a working party of the Australian Education Council (AEC) during 1991 had been preparing a report reviewing the respective roles and responsibilities of Commonwealth and state governments in the higher education arena. The working party reviewed such matters as the nature of consultative procedures between the two levels of government, financial arrangements and funding mechanisms, accountability requirements, and the interface between institutions and governments.

Its recommendations, accepted by the AEC, included suggested improvements to the way in which state views and interests might be reflected in setting national objectives, and it proposed that, for the first time, Commonwealth funding should go directly to state universities rather than indirectly through state treasuries. A meeting of state premiers and chief ministers in Adelaide in November 1991 endorsed these recommendations.

The working party's report constituted the first major review of administrative structures in higher education since the proposals contained in the Green and White Papers. Its tabling was clearly an appropriate juncture at which to explore matters relating to governance and funding. However, while the report formed an important point of reference for discussion, the conference was oriented towards the broader themes of evaluating existing structural and financial arrangements that have been put in place since 1987–88, and suggesting desirable directions of development for the future.

An important objective of the conference was to bring together participants from the major sectors comprising the higher education arena. Paper-givers and respondents consisted of politicians, Commonwealth and state public servants, academics, institutional administrators, and spokespersons from the Australian Vice-Chancellors Committee and the Federated Australian University Staff Asssociation. Sessions were arranged so as to ensure a representative expression of views on different issues.

This volume, published as part of a series of Federalism Research Centre monographs on 'Federalism and Public Policy', contains the revised versions of papers offered at the conference, along with the comments of respondents. The Introduction involves an overview paper by David Cameron which places the recent Australian experience in an international context. Part One consists of the speeches given by the Minister for Higher Education, Peter Baldwin, and the Shadow Minister for Education, David Kemp, which outline the nature of current and intended policy strategies for Labor and the Coalition.

Part Two deals with the federal dimension. The respective roles of the Commonwealth and states are discussed with a particular emphasis on the nature of the interaction between the two levels of government that has evolved since 1987–88. This is one area of policy-making in Australian higher education which has received little emphasis in recent years. Significantly, it emerged as a matter of some importance in both this and subsequent sessions.

The three papers and respondents' comments in Part Three address the vital issue of funding the nation's campuses. Existing approaches to financing the universities are considered and alternative strategies suggested.

Part Four focuses on the nature of the interface between institutions and governments. Special attention is given to the issues of autonomy and the desirability of adopting corporate management practices within campuses.

Part Five comprises the concluding views of three panelists who, in terms of different standpoints, draw together the major themes and questions that have emerged from the papers and discussion.

No attempt has been made to extract a consensus viewpoint from the conference proceedings. Rather the purpose is to identify matters of concern related to governance and funding and to explore them in terms of the different perspectives of participants. What does emerge from the discussion as a whole is some idea of the range and complexity of issues that higher education decision-makers will have to come to grips with. As Cameron's introductory paper suggests, however, this problem is not confined to Australia.

Particular thanks go to Linda Gosnell for her critical contribution in making the conference a success, and to Stephanie Hancock and Megan Thomas for their patience and effort in preparing the manuscript.

Neil Marshall
Cliff Walsh

Introduction

HIGHER EDUCATION IN INTERNATIONAL PERSPECTIVE

David M. Cameron

INTRODUCTION

Universities are everywhere suffering under the Chinese curse: they are living in interesting times. Whether this is really a curse, or a blessing in disguise, I leave to the theologians among us. There can be no question, however, either that the times are interesting or that universities face a set of demands, expectations and constraints that both challenge conventional wisdom and require new ways of doing things.

Enough cliches. My task is to offer an international perspective for your reflections on the changes made and underway in the governance and financing of higher education in Australia. In this, nothing would be so boring as to try, even if I were capable of it, to describe on a country by country basis the current state of higher education. Instead, I propose to pursue my task in two steps. The first step will be to consider, necessarily very briefly, what seem to me to be the common themes in an emerging international consensus about the reform of higher education. The second step will then be to examine the significance of this for federalism and vice versa.

As to the first step, the use of the term consensus requires a further comment. On the one hand, it is clear that each country is contributing and responding to the reform of higher education in its own fashion. There is no single program that commands international attention. This is not a conspiracy theory of educational reform. But at the same time, it is quite amazing that similar problems and similar rhetoric keep cropping up in system after system. The consensus of which I speak, then, is more one of perceptions of similar problems and objectives than of commitments to identical programs. Western nations do seem to be addressing a common policy agenda in higher education.

THE AGENDA OF PUBLIC POLICY

What are the elements of this agenda? Obviously they can be stated in a variety of ways, and therefore the list may be longer or shorter, but I propose to consider the agenda under seven topics or headings. Some of these can be firmly supported with documentary evidence; others are more speculative in nature. I propose to proceed within an avowedly Anglo-American perspective, primarily because this is the common heritage of both Australian and Canadian higher education. I will, however, turn to other examples when this suits my purpose. My first heading is access and equity.

Access and Equity

The hallmark of the post World War II era was institutional expansion. Now it is much more a question of access for targeted groups. Different countries achieved generally acceptable levels of participation at different times, and for some a general unmet demand remains. But the principle of general access to higher education, however defined, is firmly established and no government seems interested in reducing its participation rate as a matter of public policy. Two problems flow from this.

First, the established commitment to general access has caught institutions in a fiscal squeeze. Neither government policies nor social expectations (often reinforced by articulate interest groups, including students) permit reducing enrolments, yet in country after country government funding is not keeping pace with the combination of enrolment growth and inflation. The upshot is that institutions are often forced to absorb the costs of growth through internal efficiencies and productivity gains. Institutional success invites further squeezing, since it is hard to convince anyone, let alone hardpressed Treasury officials, that what has been accomplished year after year to date cannot be repeated one more time.

The second problem is probably the more serious. This arises from a generalised commitment to improve access to higher education for members of specific groups. Targeted groups include such broad categories as women, persons in lower income brackets and, in some circumstances, those in rural or isolated locations. They also include very specific groups, including aborigines, other racial, ethnic and linguistic minorities, and also the physically handicapped. The 1987 observation of the OECD is instructive here:

> Although in most countries the expansion that took place in the sixties and early seventies seems to have enhanced the opportunities of socially disadvantaged groups, the evidence also suggests that the *relative* standing of these groups has not improved significantly, particularly since the mid-seventies (OECD 1987, 34).

Some of the demands for more equitable admissions are more easily accommodated than others. Women, for example, have made enormous gains in terms of general access. In Canada the majority of college and undergraduate university students are now women (Canada 1991, 1). This is the result of institutions responding to demand. The call now is to increase the proportions of women in specific disciplines (science and technology in particular) and in post-graduate studies. It is here that the more serious problem is encountered, and it is not dissimilar in nature from that raised by increased access for other targeted groups.

Difficulties arise from both sides of the government–institution relationship. The dominant ethos of higher education dictates that decisions on admissions, especially into enrolment-limited programs, be based on academic merit, not social policy. At the same time, governments have very blunt instruments with which to lever institutional decisions. The outcomes seldom leave either party satisfied. Institutions are frequently criticised for their lack of vigour in pursuing equity targets; governments are often charged with undue influence in the internal affairs of the institutions. The latter charge invites a closer look at the second item on our policy agenda: institutional accountability.

Accountability

The post-war expansion of higher education was paid for almost entirely from public funds. Universities and other institutions leapt with alacrity to accept these funds and to urge governments on to new heights of spending. Few paid attention to the inevitable consequence of increased dependence on government: that governments would demand '...a framework of control which would provide some assurance on the relationship between public expectations and the consequences of funding universities' (Cutt 1990,1). The favoured relationship in which the public interest was somehow protected by appointed councils or boards, who were to protect the university from outside interference despite the fact that their authority was being challenged within the university at every turn, proved less and less adequate in the eyes of many government officials and advisors. And, as economic circumstances forced governments to restrain expenditures, the search for a more effective framework of control and accountability picked up momentum.

> The absence of convincing evidence that spending on universities was contributing to public objectives, the inability or unwillingness of universities to provide external information on accountability beyond that limited to financial propriety and compliance with statutes and regulations, and changing public priorities which reflected both disillusionment with spending on universities and much scarcer resources in tougher economic times, have all contributed to a re-focusing of the value-for-money question in terms of whether what is spent is spent well, and even, turning the 'under-funding' question on its head, whether the amount spent is already excessive (Cutt 1990, 2).

The new reality was presented with stark clarity in the Jarratt report of 1985 (CVCP 1985). Talk of value-for-money and performance indicators was not entirely new, but the extent to which Jarratt and his colleagues embraced these concepts and urged them on the universities of Britain, had a profound impact on governments, if not always on the universities themselves. Indeed, it is reassuring for a Canadian to read that nostalgia for the old relationship lingers on in Australia as well. One of your eminent academic administrators recently concluded his reflections on the massive changes in Australian higher education with this familiar call to arms: 'Finally, and perhaps above all, we must resist unwarranted political and bureaucratic intervention and argue for a return to the days when the institutions were at arms length from the Government' (Karmel 1989, 25).

But Professor Peter Karmel recognised that the price for any such relationship will be the acceptance by institutions themselves of '...a more managerial approach to the work of institutions, a greater emphasis on performance and a more competitive allocation of resources' (Karmel 1989, 24) Thus does accountability slip easily into the third topic on our agenda, the call for improved management of institutions.

Internal Management

Universities have traditionally glorified incompetence in institutional management, preferring the ideal of the absent-minded professor stooping, for a time, to take his turn at the nasty task of administration. And while few institutions could any longer survive under such a benign regime, it not only remains the ideal for many faculty members but must seem all too close to reality for many government officials and business members of governing boards.

Perceptions notwithstanding, the internal management structures and practices of universities have become the object of government attention in many countries in recent years. Both direct and indirect steps have been taken to induce institutional change. More such steps are likely in the years to come.

Concern has focused on two fronts: the role and authority of governing boards and executive heads, and the working conditions of faculty members. The two are not, of course, unrelated. As to the former, governments have sought and will likely continue to seek to strengthen the decision making authority of boards and heads. Indeed, the very idea of the president, principal or vice-chancellor as the chief executive officer, reporting to and operating within the limits set by a governing board has a decidedly private sector corporate ring to it. I suspect many still think of it as an ugly American idea, ill-suited to the rarefied atmosphere of a 'good' university.

It is certainly worth pausing to note that virtually without exception, the non-university institutions that governments developed in the 1960s and 1970s (colleges, polytechnics, etc.) were created with stronger management controls, at the expense of academic self-government.

At the same time, some faculties have certainly strained the limits of democratic management. The North American pattern of collective bargaining, in which many university faculty associations have formed trade unions under private-sector legislation with the strike as the final means of resolving disputes has, in many institutions, turned the principle of academic self-government into the organised pursuit of economic self-interest.

The OECD, in a recent publication, addressed this issue in terms of how intellectual freedom can best be protected within higher education institutions dependent on public funds:

> It can be guaranteed by constitutional or statutory provisions which make it difficult for any particular government to abuse its powers and responsibilities, or it can be safeguarded through the legal and administrative autonomy of the institutions. The former approach has been adopted in several European countries. Established university staff are employed directly by the State, and their jobs and their salaries are guaranteed. In other countries, of which the United States is the best example, academic freedom is secured by the financial autonomy of institutions which receive their funding from a variety of government agencies and other sources (OECD 1990, 14–15).

By all accounts, Australia has taken a giant step toward the European model, with nation-wide bargaining and arbitration. Britain has moved in the American direction, by eliminating tenure, at least in a legal sense, from academic contracts. The United States, meanwhile, has seen a significant line of demarcation drawn between its public and private institutions. In a landmark decision in the case of Yeshiva University in 1980 the United States Supreme Court ruled that faculty members exercised sufficient management responsibilities within the university that they could not qualify as employees under the National Labor Relations Act, and therefore could not take advantage of its provisions for certification.[1] The wording of the decision was sufficiently broad that it virtually precluded faculty unionisation in at least the larger private institutions in the United States.[2]

It is no simple task to reconcile stronger boards and chief executive officers on the one hand with professional autonomy for faculty members on the other. We can therefore expect issues related to the internal management of institutions to remain on the public policy agenda for some time. Given the difficulty of the task facing governments, it is perhaps not surprising that they have often found it preferable to use indirect means to influence institutional priorities. And here, the principal instrument at their disposal has been the allocation of public funds.

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[1] *National Labour Relations Board* v. *Yeshiva University*, United States Supreme Court, 444 US, 679.

[2] The National Labour Relations Board assumed jurisdiction in 1970 over private, non-profit colleges and universities with gross annual incomes in excess of $1 million.

Public Finance

The use of funding as a means of deliberately influencing institutional priorities has emerged in recent years in a variety of forms. Two approaches seem to be the most common. The first is earmarked or targeted funding, in which governments specify the purpose for which specific allotments of money are to be employed. Usually, as in several Canadian provinces, these targeted funds come on top of an unconditional base allocation, but just as frequently the base funding does not keep pace with annual increases in costs (see Cameron 1991, 261–71). This, theoretically, enhances the effectiveness of the targeted funds, since they become the key to maintaining the real value of total institutional income. At the same time, however, it puts a premium on the capacity of the institution to make strategic choices, for as often as not resources must be freed up from existing activities in order to take advantage of the earmarked funding. And, as the OECD noted in its recent report on the financing of higher education, governments 'have shown some impatience with the capacity of institutional managers to make such hard choices' (OECD 1990, 59). From this has come growing interest in a second approach.

The second approach is one with which Australians are quite familiar: the government–institution contract. Pioneered in England as part of Prime Minister Thatcher's reform program, the idea of funding institutions on the basis of an agreed profile of activities has much to commend it to both parties in this delicate balance.

For governments, contract funding offers the periodic opportunity to make explicit to each university just what is expected of it, but in a manner that obviates the need for detailed meddling in institutional management. Moreover, it invites the expression of these expectations in objective if not necessarily quantitative terms, and therefore the specification of performance indicators that might reasonably mark progress toward their achievement. Future funding commitments can thereby take explicit account of the degree to which targets set in previous rounds of bargaining were actually achieved.

The advantages for institutions may not be so obvious, but they are nonetheless real for that. The greatest advantage probably lies in the fact that the relationship with government becomes more explicitly one based on bargaining. The institution is able to put the best face it can on its profile of existing and proposed activities and, in so far as this is accepted and funded by government, institutional security is thereby enhanced. A senior official made this point emphatically in a recent report arguing in favour of a form of contract funding for universities in the three Maritime provinces of Canada (Nova Scotia, New Brunswick, and Prince Edward Island):

> By...adopting a planned capacity and role approach coupled with policy envelopes, the [Maritime Provinces Higher Education] Commission can tender its advice and make its recommendations so that public policy issues and institutional plans can be integrated for funding purposes. The three governments, explicitly or implicitly, will then have to fund what they are saying or say what they are funding (Addlington 1988, 13).

There is a third dimension to the contemporary public financing of higher education. It is not so much related directly to influencing institutional priorities, but it does enhance the trend toward market-like competition. This is the growing reliance on student tuition fees. One of the problems with this source of revenue is the perception of its negative effects on accessibility, a perception that is little influenced by the fact that most research findings have failed to confirm any direct association. It is for this reason that interest in increasing student fees often goes hand in hand with proposals to improve student assistance on a needs basis. It is within this context that income contingent repayment schemes have increased in popularity, especially in North America. None has actually been put in place, however, probably because all of these schemes seem to promise future administrative nightmares. Thus it is with considerable interest that the world watches Australia's unique scheme of deferred payments, administered through the tax system and tied directly to relative income. If it works, it may inspire others to open the floodgates with respect to tuition fee increases, paving the way to more open competition for students and to fees that represent more realistic prices for various programs.

Of course, all of this only adds to the premium that is currently being placed on institutional adaptability, the capacity for which is severely restrained by established forms of institutional government and management, especially in universities. Small wonder, then, that the fifth topic on the international agenda has been system rationalisation.

System Rationalisation

There are at least three aspects to the attempts by governments to rationalise their systems of higher education. The first has been to blur if not erase the binary line between universities and other institutions. This was part of the reform program in Britain, it is central to the Australian scheme, and it is emerging as an element in the policies of at least two

Canadian provinces.[3] It is not difficult to appreciate why governments would find this an attractive prospect. For one thing, it involves the possibility of funnelling enrolment growth into the least expensive of the institutional components making up most higher education systems. For another, it draws universities more closely into the company of institutions whose heritage has entailed much greater government direction and control. Indeed, part of the plan is usually to invite competition, explicit or otherwise, between the two formerly separate sectors. The availability and attractiveness of this approach depends, of course, on the existence and nature of a binary system in the first place. In this respect, there has been a wide range of national experiences, but it does seem clear that non-university institutions have been the ones gaining in support in recent years.

The second aspect of rationalisation, complementing the first, has seen the weakening or outright elimination of intermediary or buffer agencies, and the strengthening of government departments. Again, examples of this trend can be found in Britain, Australia and Canada. Coincidental with this is often a broadening of the mandate of the responsible department, usually to encompass the whole range of government-supported and regulated advanced education and training activities, and often with a title that reflects a clear economic orientation.

The third aspect of rationalisation has been a two-pronged policy intended to foster greater specialisation among institutions, and therefore to concentrate more expensive activities in fewer places. Partly this is designed to reduce unecessary overlap and duplication in teaching programs, and in that respect it is closely associated with the financial initiatives already discussed under contract funding. Partly also, it is aimed at the research function of universities, and here the objective is to set national priorities for research and concentrate the research effort in these priority areas into a few designated 'centres of excellence'. This latter approach is part of a much larger trend in public policy, and in that it leads us directly into the sixth topic on our international agenda, the stated intention of governments to use science, and especially scientific research, more deliberately as instruments of national economic policies.

Science and Economic Competitiveness

This is perhaps the most significant of the items on the agenda of public policy, in terms of the consequences for higher education. What is being sought is conceptually quite simple. It arises from an appreciation that the new economic reality of freer trade within a global economy promises economic marginalisation for those nations unable to compete, plus a conviction that the basis of competitiveness rests on scientific research, technological innovation, and a highly trained labour force.

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[3] Both British Columbia and Alberta have recently expanded the degree work authorised in regional (or community) colleges. In the case of British Columbia, this is part of a larger design in which a number of colleges will shortly offer full degree programs, albeit under the auspices of established universities.

The objective, quite simply, is to harness higher education and research much more effectively as instruments of national economic development. Five years ago, the OECD drew attention to the fact that 'governments and publics increasingly look to universities to assist, through their research, education and training functions in *strengthening the competitive edge of the economy*' (OECD 1987, 17). Universities, they continued, are expected to foster innovation, to move beyond basic research to demonstrate profitable applications, and also to provide advice to governments and the private sector on policies that will enhance economic growth.

The problem, of course, is that this expectation conflicts with traditional norms of academic freedom and institutional autonomy. The OECD took specific note of this: 'Academic and economic imperatives by no means always point in the same direction' (OECD 1987, 17).

A group of Canadian scholars has recently taken this analysis one step further. They add, as a further element, the fact that most western governments have overextended their fiscal capacities and are consequently turning to the private sector to provide much of the capital required for investment in research and technology. The upshot of this (a phenomenon they refer to as the political incorporation of innovation systems) is that the policy agenda is not only focused single-mindedly on international industrial competiveness, but it is increasingly an industry-dominated agenda (Davis et al. 1990, 74–5). The higher learning, they conclude, is being coopted:

> This is the political manifestation of a deeper development, the bureaucratic organization of knowledge. Under these fiscal and political pressures the universities' traditional independence is quickly eroding. Vast sums of money, hordes of people, and almost all governments are dedicated to the realization of this prospect (Alexander et al. forthcoming).

Whether or not this is an exaggerated interpretation of current trends, there can be no question that a common theme of public policy is the encouragement of direct private sector involvement in virtually all aspects of higher education. This is the seventh, and final, topic on our international policy agenda.

Private Sector Participation

Direct private sector participation in higher education takes a variety of forms and differs from country to country. Some varieties, such as contributions to annual and capital fundraising campaigns, are patently benign in their institutional and educational consequences. Others, such as contracted research and teaching give rise to questions about priority setting and distortion. It is interesting to note the terminology used by the OECD to describe this kind of activity. They refer to it as 'the sale of educational and research services,' and observe that it is the area in which '...much of the interest in new funding mechanisms has been concentrated and most worries expressed' (OECD 1990, 33).

The penetration of higher education institutions into the market place, and vice versa, has the potential to extend much further. Both the United States and Japan offer models of higher education systems in which a very significant proportion of teaching and research takes place within private institutions. In the United States, for example, one-quarter of all students are enrolled in private colleges and universities, which together account for over a third of total institutional expenditures on higher education (figures taken from OECD 1990, 20). Moreover, the line between the private and public sectors, firmly established in law as a result of the famous Dartmouth College case in 1819,[4] is being blurred deliberately by the effects of public policy. For example, Martin Trow recently pointed out that while overall private institutions in the United States receive about 17 per cent of their income from the federal government, some state universities receive less than a third of their income from state governments (Trow 1991). What does it mean to be a 'public' institution when resources must be sought through market competition? Will the term 'state supported' better describe the universities of the future, whether they are legally public or private?

To date, the wholesale privatisation of higher education has not emerged as a major topic on the political agenda, but it is no secret that in Canada at least, some universities have seriously investigated the consequences of opting out of the public sector. Meanwhile, the private sector provision of education and training continues to grow. In another recent study, the OECD posed the essential question this raises for public policy:

> Striking the right balance between the public/private mode of provision, between market-driven developments and regulatory practices ensuring quality, social justice and minimum co-ordination, will be a major challenge to those charged with the design and implementation of future policies for higher education (OECD 1991, 82).

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[4] At issue was the authority of the state legislature to alter the charter of the college. The court ruled that the charter constituted a contract, and was therefore not open to change by only one of the parties.

To this point we have been considering the emerging international agenda for public policy as though all governments were single actors. This is both simplistic and misleading. Paralleling changes in public policies affecting higher education have been changes of at least equal magnitude in the organisation and operation of government. And of the many questions to which all of this gives rise, that of the significance of federalism for higher education is particularly important. Canadians, of course, think everything is ultimately related to federalism, but sometimes we may be correct. The subject warrants at least brief consideration at this point.

HIGHER EDUCATION AND FEDERALISM

The contemporary policy agenda respecting higher education speaks directly to the question of centralisation versus decentralisation. So does the idea of federalism. It follows, then, that questions of centralisation and decentralisation in higher education will take on added significance in federal systems. And here it is worth noting that the seven topics just reviewed simultaneously pull in opposite directions.

Improved access and equity call for system-wide standards, just as they depend upon flexibility and experimentation. Accountability can be pursued through regulatory control or through institutional competition, depending upon whether the focus is on procedures or results. The search for improvements in internal management of institutions has led to national, even constitutional, safeguards and procedures, and it has yielded steps to strengthen the hand of institutional managers and eliminate tenure. Questions of public finance have been answered by growth in central government support and by greater reliance on student fees and private sales. System rationalisation can mean central coordination and control or it can mean institutional specialisation and diversification. Science and economic competitiveness speak to concerns about the success of national economies, but also to local initiatives and centres of excellence. And even private sector participation, while its purpose is undoubtedly decentralising, is often driven by national governments.

In federal states, all of this is infused with questions about the appropriate roles of the central and regional governments. Contemporary federations offer very divergent answers, despite the fact that in virtually all of the well-established federal constitutions, responsibility for education, including higher education, is assigned to the regional units. Despite this diversity, federations all face much the same policy dilemma: the pressures of global competition invite stronger coordination by central governments; yet academic excellence seems always to be the property of institutions and individuals that enjoy wide margins of autonomy. There may, then, be some lessons to be gleaned from different federal experiences in coping with this dilemma.

Germany has a uniquely intra-state governing apparatus, with *Laender* governments participating directly in the formulation of federal framework legislation, the details of which they will subsequently administer under their own legislative authority. Moreover, the constitutional division of powers is riddled with interlocking responsibilities and overriding citizens' rights. Despite this model of 'marble cake' federalism, one of the hallmarks of higher education in Germany is the strong coordinating role played by the *Laender* through the Permanent Conference of the Ministers of Culture.

The point here is that system-wide coordination need not necessarily or always entail central government regulation. In policy areas such as access and equity, accountability, and system rationalisation, there is much to be said for this as an alternative approach.

Examples of inter-regional cooperation and coordination can also be found in other federations. The United States, for example, has a number of inter-state compacts in the area of higher education. In Canada, where an inter-provincial Council of Ministers of Education has not attained the kind of influence enjoyed by its German model, there have been some successful cases of cooperation. Some provinces contract with others for the provision of spaces in expensive, specialised programs. The Maritime Provinces Higher Education Commission (MPHEC), on the other hand, serves as the common buffer agency for three provincial governments. These represent more exceptions than the norm, however, and even the MPHEC has been dealt a crippling blow to its authority by Nova Scotia's determination to chart its own course. There remains an intriguing question, therefore, as to whether, and under what conditions, coordination through interregional cooperation represents a practical alternative to centralisation.

The United States is undoubtedly the most decentralised federation with respect to higher education. There is no national university, public funding is primarily a state responsibility, and a significant proportion of the institutions are outside the public sector altogether. And, despite the varying quality of American colleges and universities, there is no doubt that its best include the best in the world. It is a common observation in Canada, for example, that while most Canadian universities would be ranked in the top half of their American counterparts, none can claim to rank among the very top.

It would be folly to suggest that decentralisation and deregulation can, by themselves, produce great universities. Nonetheless, it is significant to note that American state universities have been enjoying unprecedented increases in public funding in recent years, certainly to the envy of their Canadian provincial cousins. And this has been the result primarily of increased grants from state governments which seem to be quite capable of grasping the link between investment in higher education and economic competitiveness. It does not necessarily seem to be the case, then, that realising the perceived potential contribution of universities to national economic development mandates a more intrusive role for national governments.

Other examples could be cited. Canada's student aid program, as one case in point, is an integrated scheme that successfully bridges divided jurisdiction. Student loans are advanced by private lenders while the federal government, within its jurisdiction over banking and credit, both guarantees repayment and pays the interest charges until six months after graduation. The provinces, meantime, determine eligibility for a loan and in doing so are able to integrate the federally guaranteed loans into their own student assistance programs. Quebec is even able to operate its own wholly provincial scheme while receiving an equivalent cash transfer from the federal government. While this is a noteworthy Canadian success story, it is by no means typical of all efforts at federal-provincial coordination, and there remains a strong sentiment, at least in English-speaking Canada, that higher education suffers from the absence of federal leadership, coordination, and direct funding.

From a slightly different perspective, federalism itself may be one of the best defences not just of university autonomy but also of institutional diversity and initiative. For one thing, federalism implies multiple laboratories in which experiments in public policy may be concocted. The odds are thereby increased that what emerges from each of them will be informed by lessons learned from the others. Moreover, the presence of other regional systems acts as a constraint on any one of them going off in too radical an experiment.

Finally, it is well to remember that in no federation today is it possible to assign all aspects of higher education completely to one or the other level of government. The question is always one of balance, not exclusivity. Within this context, there is much to be said for the involvement of both levels, each pursuing its own policy objectives and priorities, and leaving the institutions to respond in pursuit of their individual strategic advantages. Perhaps competition has a place between governments as well as between universities.

CONCLUSION

Australia, of course, has embarked on a massive thrust in the direction of centralisation. It is a bold experiment, and promises much by way of coordination, including reduced overlap and duplication, concentration of effort, and economies of scale. The question is whether these advantages can be secured without sacrificing diversity, experimentation, and institutional entrepreneurship, qualities usually associated with decentralisation.

The question posed by Australia's reforms is whether the centralisation of government and public policy necessarily yields centralised control and management of institutions. Is it possible that universities might actually become more independent, more decentralised, driven by their own strategic designs and comparative advantages? These are questions that apply as forcefully to higher education and the international policy agenda governments have set for it as it does to federalism itself. Australia's experiment quite properly commands the world's attention.

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Part One
The Party Perspective

GOVERNANCE AND FUNDING OF HIGHER EDUCATION

David Kemp

I welcome the organisation of this symposium by the Federalism Research Centre. The symposium clearly indicates that you believe there are important issues of substance in the governance and the funding of universities that are worthy of discussion and debate — that these matters are not 'settled', but on the contrary are subjects which should attract the attention of the leaders of opinion concerning higher education.

We in the Liberal and National Parties certainly welcome the attention which this symposium is focussing on these issues. Within the perspective we will be bringing to government, education will have a high priority. That priority has been already clearly marked in the program announced by Dr Hewson in the FIGHTBACK package in November 1991.

Dr Hewson indicated at that time that a Coalition government would be bringing about a massive re-ordering of priorities within the activities of government. That reordering would involve the cutting of some $10 billion from existing government programs. It would also involve an extensive agenda of micro-economic reforms, a fundamental restructuring of the taxation system and a program of placing government enterprises in the private sector which would bring some $13 billion of revenue which would be available to retire debt.

Those facts alone indicate that the program is one of great magnitude. It is as extensive as it is because the problems facing Australia at the present time are not simply cyclical nor temporary. They arise from some deeply ingrained structural and attitudinal factors which have led Australians over a long time to focus their productive energies on the domestic rather than the world market, and to accede to arrangements in the labour market and elsewhere which have come to be major obstacles to change.

It is the view of the Coalition that only a generational change in attitudes brought about in part by the structural reforms Dr Hewson has outlined will enable unemployment to be halved over this decade, foreign debt stabilised and reduced, and Australia's international competitiveness restored. Among the attitudinal changes required is a change in attitude to the role of government. For a variety of historical — and consequential structural — reasons Australians have come to look upon government assistance as almost a prerequisite for institutional survival and success.

Over the years many industries have willingly brought themselves under the government umbrella. If businesses are unsuccessful, the reason which springs most readily to mind is a lack of adequate government assistance. If any worthy cause is to be pursued, there is a strong tendency to come to the conclusion that in the first instance it must be pursued by government. The fiscal and structural reform program outlined by Dr Hewson is designed to encourage the realisation that people acting independently are able to achieve success in the vast majority of the ventures on which they embark.

The role of government is to provide the framework within which individuals, as members of families, as institutional leaders, as employers and employees, can achieve what they want in life as a result of their own efforts. Within this great program, education and training have a key role to play. Education and training of world class standard — available to all Australians with the will and the capacity to pursue it — has an essential contribution to make to the restoration of international competitiveness, as well as providing the essential foundation for satisfying lives in the years ahead.

It is obvious that if Australians do not have knowledge and skills which are equal to those of the most advanced nations, the future of our industries cannot be assured and the jobs, which those Australians who have jobs possess today, cannot be guaranteed for tomorrow. Indeed, in a world where the nature of work will be constantly changing, education and training equal to the best in the world is essential to provide the flexibility and adaptability to take the best advantage of the opportunities afforded by change.

Within the FIGHTBACK program there is a very clear strategy outlined to achieve these objectives in education and training. It is a strategy which embodies a number of conclusions about the desirable patterns of governance and funding for higher education.

This strategy is one which aims, firstly, to lift substantially the level of investment in education and training in Australia. Secondly, it is a strategy to ensure that the incentives faced by the providers of education and training services are those which will motivate them as far as possible to seek quality and to use the resources available to them in ways which best achieve what the community, through the consumers of education and training services, is seeking.

It is a strategy which seeks to refocus the attention of the providers of education services increasingly towards their relations with the community, and less and less towards government. This is not to say that in the provision of these vital services to the community, government will not have a continuing key role to play. There are several aspects to the role of government which all have expression in the policy statement accompanying the FIGHTBACK package. Government — acting on behalf of the taxpayer — is going to continue to be a major source of the funds required to support education and training at the level required.

Government has this role because, as is stated in the FIGHTBACK documents, there is an important public-good aspect to education and training. The education of a student also has significant external effects on society, underpinning democratic citizenship in the modern age and providing countless unforeseen opportunities not only for students themselves, but also for others. Moreover, education and training is a complex service whose benefits are not always accurately perceived by those who would benefit from them. If government did not finance substantial elements of the education and training provided formally through institutions it is generally accepted that there would be significant under-provision of these services.

In higher education the public good argument applies with obvious force to research. Much of basic research once produced is and should be available to all, and its results cannot be readily appropriated for private benefit. For this reason government has undertaken a continuing responsibility for the funding of basic research.

These considerations underlie the high priority given to education in the spending decisions announced by Dr Hewson in the FIGHTBACK package. Of the $10 billion cut from government programs across the board, some $4 billion is to be returned to taxpayers for allocation by them rather than by government.

The remaining moneys are reallocated among programs regarded by the Liberal and National Parties as being of higher priority. There are only three broad areas where the Coalition has undertaken to increase government spending above current levels: one is the area of family assistance, one is assistance to the most needy in the community, and one is education and training. The commitments in the area of education and training amount to an additional $2 billion over the remainder of this decade over and above expenditure currently committed or projected.

The bulk of the additional expenditure projected in FIGHTBACK for education and training is at the schools level where the largest commitment is to fund choice of school for low and middle income parents. There are, however, significant increases in expenditure projected for TAFE, for higher education research and for student assistance.

There will of course be many decisions to be made about public expenditure on education and training over the course of the next Liberal/National government. The point I want to emphasise here is that after a review involving very large reductions in government spending in many areas, including savings we believed were available in some areas of education, our overall judgement was that the taxpayer's investment in education and training should justifiably increase to achieve the goals we have set ourselves.

There are, of course, significant private benefits to be derived from investment in education and training as well. The beneficiaries of higher education on average earn higher incomes than those without tertiary education. It is plainly the judgement of many parents that there are large private benefits to be gained from schooling as well. These benefits are by no means necessarily material benefits. They more commonly have to do with the values parents wish to pass on to their children, as is shown by the religious character of most non-government schools.

At the school level the recurrent investment in non-government schools, which registers this private interest, already amounts to some $1.6 billion, which is a substantial saving to the taxpayer. Increasingly, parents in the government school sector are making significant contributions to the costs of their childrens' education.

At the tertiary level there is also a rising commitment of private resources. The student charge produces some $683 million per annum for universities, though most of this is, from the student's standpoint, deferred to a later time. However by 1995 upfront payments, and repayments through the HECS system, will amount to over $500 million.

The increased ability of institutions to offer professional courses for fees, and to offer full-fee places to overseas students, has also significantly expanded the ability of private individuals to indicate the level of the valuation they place on tertiary education.

The private sector in higher education of course remains small, and subject to a significantly unlevel playing field. It would be possible by a substantial redirection of the taxpayers' contribution significantly to ease the way for an expansion of the non-government sector at the tertiary level. So long as the public institutions continue to have their hands tied behind their backs this expansion could be quite rapid.

And this brings me to what is the most evident anomaly in the present arrangements for funding and regulating higher education. It is still not open to students clearly to register the private value they place on a university education, or on particular courses offered by universities, because the public universities are not permitted to set fees for Australian undergraduates, nor to admit Australian undergraduates for whom the government cannot fund places for fees. There is no question that if universities were to have restored to them the freedom to set fees, and the freedom to offer places to unfunded students for a fee set by the university, there would be a significant increase in the level of investment in higher education in Australia.

There would also be some useful by-products arising from the consequential healthy competition among institutions which would result from the exercise of these freedoms. There would be some prospect of supply and demand coming into an appropriate balance, and the disappearance of the distressing queues resulting from the rationing of places by the government. Under such a system institutional quotas would be a thing of the past.

There would also disappear the grave inequities between Australian students on the one hand and overseas students on the other, and of the inequities which exist between Australian students who gain admission under the current arrangements on the one hand and the students who are excluded on the other. I have little doubt from many comments that have been made to me that there is mounting community anger over these inequities.

The Industry Commission, in its Report last August, was so concerned over the inequitable character of the current system that it assumed the government would want to take urgent action to correct it. This proved not to be the case.

There is a sound, in principle, case for the devolution of much of the decision making in relation to education — to the states and more particularly to the providers and the consumer market. There is little or no requirement for nationwide uniformity in education except in relation to welfare-related matters, equalisation among the states, and such matters as the interstate transfer of students, interstate recognition of qualifications, and the monitoring of standards.

Clearly, there is a great need to scrutinise the Commonwealth's role. Its lack of micro-reform initiatives in higher education, as in other areas, has only compounded rigidities within an already over-regulated system. The development of a viable and effective training sector has also been hampered by inappropriate and excessive Commonwealth regulation and dictation. It has inhibited the development of more open and flexible training markets, essential if Australia is to meet the training needs of industry.

The proper role for the Commonwealth lies in not seeking to impose uniformity, but rather in promoting the national interest in educational and training opportunities and in the proper monitoring and assessment of standards. It is the Coalition's view that the Commonwealth should support the active identification and promotion of best practice, a national market for educational services, national goals for improvement, and raising issues of truly national importance.

Within the framework we propose there will be enhanced incentives to devolution of decision-making within institutions as the variety of options which will develop in relation to course offerings and delivery, and staffing conditions will be more efficiently handled at levels below the central administration. The pressures towards centralisation on campus imposed by the demands of the Unified National System for information and observance of central regulation will be greatly eased.

Now I have said that freeing up the system in the way I have just suggested would undoubtedly result in an increased investment in higher education in Australia. That would only be certainly true if the government did not reduce its commitment. If the taxpayer's contribution were reduced as the private contribution expanded, then current or even reduced levels of investment would, of course, be possible.

With this in mind the Coalition has undertaken to at least maintain the real level of funding per student place and will fund approximately the same number of places as are currently funded or projected. Against this commitment one can, I believe, confidently predict an increased investment in higher education as a result of the removal of the prohibition on institutions from establishing fees and admitting students on terms determined by the institution.

It is for this reason that the Coalition has undertaken to allow universities to determine fees for all courses and all students, and to offer places to unfunded students on terms decided by the universities themselves. Given the national imperative of expanded investment in education and training; given the manifest inability of the government to provide resources sufficient to meet the demand for places either at universities or TAFEs, given the fact that the government has received advice from its most expert advisory body that it should deregulate higher education and that its current system is flawed, why does it not take what are the obvious steps to deal with the problem?

Indeed, the government's inaction, its patent fiddling at the edges of the issue, might seem even more puzzling in the light of the fact that the present funding arrangements are causing it grave political embarrassment in the form of tens of thousands of Australian students who are being denied places, and of the fact that if it did decide to move to a significant deregulation of the system it would have the bipartisan support of the opposition for such a move. That would certainly take quite a bit of the political heat out of the change of direction. I do not say that we would restrain ourselves from criticising the government for being tardy, and we would certainly scrutinise the way in which it went about deregulation very closely indeed, but we would not criticise it for giving the universities freedom to set fees and we would not criticise it for giving them freedom to set terms for the admission of unfunded students.

Why then, in the light of all these considerations, does it not act? Why does the minister spend so much time hurling abuse at the Liberal and National Parties and attempting to raise anxiety about the freeing up of fees when he might more easily walk through the door of opportunity which we have opened for him?

And let it be quite clear, as I am sure it is, that the opposition is not advocating these policy changes because we think they are certain vote winners. We are under no illusions that there are not organisations of both academic staff and students who will see it as being in their short term interests, and in the interests of the relations of their officials with the Labor Party, to whip up opposition to such changes. Such campaigns are simply part of the rearguard action to preserve the corporate state within which such unions have greater power.

We are advocating these changes because we have taken the view that people in this country want to be told the truth about the state of Australia, even if that truth is sometimes uncomfortable and unpalatable.

And the truth is that we need substantially greater investment in education; that the taxpayer does not have the capacity fully to fund a mass system of tertiary education; that whatever capacity there may be for an increased public sector commitment (and we have shown that there is scope for such an increased fully funded commitment with a significant reordering of governmental priorities), there is also a capacity for a significantly increased private commitment as well and that such a commitment is essential. Deregulating the universities is the most effective way to achieve that private commitment. It will also correct the painfully evident irrationalities and inequities of the present system.

Is the government refusing to act because the universities themselves are opposing change? I think not. The Australian Vice-Chancellors Committee, to its credit, has asked the government to give its member institutions the freedom to admit unfunded students for fees, not loudly, but it has asked.

The government is perhaps, not getting a clear message from the Vice-Chancellors' Committee, which on occasion seems to feel it should still say that it favours completely free universities, and I think has not yet said that it would like the universities to have the freedom to set their own fees.

I am not sure why it says that it still supports free universities, because such statements do not raise its credibility. I would not expect that from either the government or the opposition, or anyone who has analysed the situation, but presumably somewhere there is someone who is soothed by these expressions of fealty to complete dependence of the universities on government. The National Union of Students would certainly like these statements, but I wonder if most academics who have witnessed the consequence of being tied so closely to government are today quite as keen to support complete financial bondage. Anyway, the AVCC only mentions it in passing, and I do not think it has a real expectation that this situation is likely to arise again.

The government of course gets a very clear message from its union mates, and that is that they do not want the universities deregulated. This leads them, of course, into the embarrassing position where they are in fact supporting fewer student places and less resources available to academic staff. Their real concerns of course are, understandably, with what they see as the likely impact of deregulation on their own influence. Deregulation of fees is likely to be accompanied by — and under a Coalition government will be accompanied by — a deregulation of industrial relations and voluntary student unionism.

The government's reasons for not deregulating the universities have never been spelled out at any length. In his public comments the Minister for Higher Education sometimes seems to suggest that it is not possible to give the universities the degree of freedom I have mentioned, because it would not be possible under a deregulated system equitably to decide who would be entitled to publicly funded places. The government's position would be very difficult to sustain if it were elaborated, because such decisions are made at present by institutions with respect to individual students. Under a deregulated system institutions would still be ultimately determining the criteria according to which individual students receive funded places. Certainly neither the Industry Commission nor other respected analysts, and certainly not the Coalition, believe there is any such impracticality. If the government decided to deregulate I have no doubt it could readily devise an appropriate mechanism.

A key element in our devolved approach is the shift in funding to a system of awards and scholarships under which recurrent funding will flow to accredited institutions. Capital funding will be absorbed into awards and scholarships over a transition period during which historical inequities among institutions and the competitive requirements of particular institutions will be addressed.

The national education awards will absorb and distribute that portion of research funding which is inextricably linked to teaching. That portion of research funding which is currently distributed to institutions on the basis of research performance will continue to be distributed on the basis of a performance-related formula. Institutions will be free to determine course fees on the basis of relative costs and demand.

The government has on several occasions now said that it opposes deregulation on grounds of equity. That argument seems to be based on the claim that in a deregulated system the wealthy would be able to buy places — which is seen by Labor apparently as inherently undesirable — and that this would be likely to be particularly the case in relation to those courses and institutions which set the highest fees. Recently UACA — which generally seems to have the role of an echo for the government — took a similar view.

So far as the wealthy buying places goes, this argument is applied with an interesting selectivity. The government apparently sees no difficulty with the 'wealthy' of other countries buying places in Australian universities, it is just the Australian 'wealthy' whom it would be unfair to admit. Why it is fair to deprive Australians of rights which are granted freely to citizens of other countries remains a mystery to me and I believe to most Australians. It is nevertheless deeply satisfying rhetoric on the left of the Labor party which can be guaranteed to produce a comfortable warm inner glow.

The notion that only the wealthy would be able to purchase even the unfunded places is, in any case, plainly wrong. There are obviously possibilities of places sponsored by private enterprise (or privatised public corporations). There are undoubtedly many mature age people in careers who would see paying for a place as a good investment in their professional future. It would of course be very desirable for students to have access to much better loan arrangements than currently exist, so that the cost of their education could be deferred to a future time. The Industry Commission argued that the option of extending the HECS mechanism to cover fee-paying Australian undergraduates should be explored.

The minister has stated that this would be expensive. He has not however made public any analysis which demonstrates this. The Australian Bankers Association has stated that it regards HECS as providing a useful mechanism which might be used to take some of the risk out of the provision of student loans at reasonable rates.

We will be retaining HECS as a useful innovation and valuable mechanism for providing income-contingent loans. If the government does not do the job before the next election we will certainly be examining the extension of the HECS mechanism to ensure access to finance for students, so that no qualified students are prevented from undertaking study in their preferred field on financial grounds alone.

There is certainly a national interest in ensuring access to places across higher education regardless of the socio-economic background of students. That is a matter that the Coalition is very alert to, and will give full weight to in the implementation of its policy. The bottom line however surely is that deregulation cannot be less equitable than the present arrangements, because with the commitment to maintain Commonwealth funding, there will be more places, and institutions will be better resourced than they are at the present time. All who believe it is worthwhile to make a financial commitment to their university education will be able to do so. The arbitrary exclusions and the manifest inequality between Australian and overseas students will be eliminated.

Finally, deregulation will relieve the government of the duty — which it plainly thinks it currently has — of deciding the size of the university sector relative to the TAFE sector. This is not a matter which should be decided by government. It is a matter which should be determined by the interaction of the decisions of the universities with those of the students.

We have witnessed a lot of pain for a lot of students. The human cost in anxiety and loss of self-esteem among unsuccessful applicants of the current arrangements should not be underestimated. The cost to Australia of deliberately excluding students motivated to continue their studies is also high. And it is all unnecessary. We are witnessing an artificial shortage produced by an irrational system of price controls. Following the irrational process of forced amalgamations, it is no wonder that universities have been looking less attractive for academic careers as students become more desperate. There is a better way.

FUNDING HIGHER EDUCATION

Peter Baldwin

I am reminded of a book which appeared some years ago in the UK, commenting on the impact of the early years of Thatcherite public policies on the education system. The book was titled, *Is There Anyone Here From Education?*, and was a plea on behalf of the education system for serious discussion about education policies.

According to the authors, the need for such discussion, and for vocal and influential champions of the system to emerge, was urgent, given that the most notable contribution to debate to that time had been Norman Tebbit's remark that: 'We've taken the money away from the people who write about ancient Egyptian scripts and the pre-nuptial habits of the Upper Volta Valley.'

It is clear that in Australia, no such gap exists. The education system as a whole, and the higher education system in particular, is well served by knowledgeable, experienced and influential proponents. I am likewise mindful of a recent paper prepared by the now retired Education Director of the OECD, George Papadopoulos, asking whether there is anything new to say about higher education. Clearly there is, according to all present here. Papadopoulos' own concluding point is that there is a need for a constructive dialogue between government and higher education institutions, 'on the basis of informed analyses and a stronger dose of common sense', recognising that the two sides have more interests in common than often seems apparent.

I am pleased to be able to participate in a dialogue of this kind. What I want to do is to set out from the government's perspective the policies which are shaping decisions on higher education funding in the 1990s — and perhaps in the process to debunk some of the more persistent myths about the government's intentions.

I hardly need to remind you of the evolving nature of public policy making, and of the vast and complex range of forces which impinge on government decisions. Public policy making is distinguished by its complexity and the variety of channels through which influence is exercised. Thus while the foundations of the Commonwealth's higher education policy are those laid down by the White Paper published in July 1988, the responses of the system, changing circumstances and emerging social and economic pressures must shape the government's continuing views and approaches.

My policy statement in October 1991 indicated a shift in priorities in higher education policy, building on the directions set by the White Paper and responding to new issues.

I was pleased to note the AVCC's assessment that the policies showed 'increasing sensitivity to the sector's problems'. It is certainly my intention to be responsive to concerns raised by the system, as well as to other signals and messages coming to government from the various stakeholders in the system.

The White Paper reflected a number of particular commitments by the government. These were:

a commitment to expansion in participation, to meet the various social, cultural and economic needs, and to promote future economic development. As a result, there are now over 100,000 more students in the system than in 1988, with another 25,000 planned for the next two years

a commitment to social justice and improved equity of access. While expansion itself assists access by disadvantaged groups, special equity funding and other measures, including a commitment by institutions themselves to equity, are necessary to break down barriers and broaden the socio-economic base of higher education students

a commitment to equity in funding, hence the application of the relative funding model, to overcome distortions in the base allocation of higher education operating grants to institutions in the unified national system

a commitment to a system of forward planning and accountability through triennial funding and educational profiles as a mechanism for achieving a proper balance between the need for accountability for public funds and the demands of institutional autonomy

a commitment to greater efficiency, through the establishment of appropriately sized institutions, devolution of many decision-making powers to institutions themselves, improved management practices and award restructuring for staff.

In continuing these commitments through the 1990s however, the government has attempted to be responsive to those new circumstances and pressures which inevitably shape policy-making.

I will take the general commitment to expansion and growth of the system as the main example of policy-making as an evolving process. The results of this policy have been dramatic indeed, with some 40 per cent of school leavers continuing to go on to higher education despite the massive rise in Year 12 enrolments.

The government has met its commitment to funding growth, to the tune of $4.2 billion in 1992, but this has not kept pace with demand for a number of reasons. The system-wide over-enrolment of 23,000 places in 1991 caused considerable concern, not only on behalf of the students and staff who had to bear the consequences, but also because the extent of over-enrolment meant that the planned improvement in system-wide average funding rates was delayed to this year.

The level of over-enrolment in 1991, which varied between institutions, was the result of a complex set of factors, involving increased school retention, responses to the economic environment and administrative practices as well as particular institutional and regional factors. The government has acted to help institutions tackle the problem, and has developed strategies with individual institutions through the profiles process to prevent the problem recurring.

So while last year's issue was over-crowding, this year's is unmet demand, as the unwinding of the over-enrolment problem has led to a decline in commencements in 1992, despite the 6,000 or so additional places being funded by the Commonwealth. There has been an enormous amount of publicity on this issue. Much of it has been exaggerated by the use of gross figures, which the Tertiary Admission Centres have a habit of releasing without the necessary qualifications.

So there have been screaming newspaper headlines claiming unmet demand of 50,000 nationally — the AVCC estimate — and 50,000 in New South Wales alone. The latter estimate, of course, ignores the need to discount for factors such as the eligibility of applicants, those that express a restricted range of preferences, and those that apply to more than one Admissions Centre. Moreover, a study of unmet demand showed that some 12 per cent of the people concerned do, in fact, find their way in to higher education.

That said, we do accept that there is a problem of unmet demand. That is why we have expanded the system so massively, and why we continue to fund growth throughout the 1992–94 triennium.

But while there has been massive growth in the higher education system and schools in recent years, growth in TAFE has lagged far behind. This has led to concerns about the imbalance in participation in post-compulsory education and training.

There is a danger of a serious mismatch between the skills available in the labour market and the skills required. Many of the latter are appropriately gained through TAFE rather than universities.

The government has therefore asked NBEET to look at what the intersectoral balance in participation should be, against the background of the participation rate targets proposed by the Finn Report for the year 2001 and endorsed by the Commonwealth and the states.

NBEET's review will have regard not just to student demand, but also very importantly to the purpose and function of each education and training sector, the composition of skills and qualifications in Australia, and the capacity of the labour force to utilise those skills effectively. That review should provide a firm basis for decision-making on sectoral participation, both by governments and by individuals. However, while higher education will continue to expand throughout the 1990s, for the immediate future the government has taken the firm view that the urgent priority for the provision of additional places at the post-secondary level is TAFE.

Indeed, the government has publicly offered to take on responsibility for funding TAFE to achieve more integrated planning across sectors. If that were agreed by the states, the Commonwealth would contribute funds for expansion over the decade to meet the Finn participation targets.

One aspect of the expansion of the higher education system has involved targeting growth to areas of national priority. The debate — or, more precisely, the rhetoric — about national priorities has consistently chosen to ignore some of the facts. For example, shifts in the balance towards priority areas have only taken effect through the allocation of growth places, and have not affected the totality of institutions' operations.

About half of Commonwealth funded growth goes into priority areas, which at the moment, in addition to areas directly related to the labour market such as engineering, include disciplines such as environmental studies, foreign language teaching and Asian studies. Growth in these areas has not been at the expense of other subject areas — enrolments in the arts and humanities, for example, have increased by 20 per cent since 1988.

I have announced that this year the government will be reviewing priority areas for future years. This is because the long lead times involved in the process, changing economic circumstances and the need to consider regional variations all have an impact on the effectiveness of the priority areas approach.

As I have already mentioned, the expansion which followed the White Paper, as well as overenrolments in the last two years, have brought to attention questions about the adequacy of resources and the quality of higher education provision. The focus of the new policy directions I set out in my October 1991 statement is the development of a comprehensive set of measures to enhance further the quality of higher education provision. The major initiative I announced was the allocation each year from 1994 of $75 million on the basis of performance, to reward institutions that make the best use of their total resources. This is supported by a number of other measures designed to support the quality enhancement measures developed by institutions, and a comprehensive review of modes of delivery in higher education which will look at how technology can be harnessed to increase the quality, diversity and efficiency of higher education provision.

Another dimension of quality — the quality of student intakes — has also been the focus of considerable attention. The government's equity initiatives have opened up access to higher education to a more diverse student population and all the evidence points to this having had no adverse effects on the quality of student entrants. A recent study by the Australian Council for Educational Research shows that the academic ability of school leaver entrants to higher education has changed only marginally in the last decade, notwithstanding the increase in participation in that period.

It is partly for equity reasons that I am particularly disturbed by proposals for the introduction of fees, which have the potential to undermine these initiatives. You would be aware that the opposition's policy is for fees for all — both for domestic undergraduate students above government-funded places and top-up fees for others. Under these proposals, access to high status institutions and high income-earning professions would become dependent on means as well as ability, with advantages flowing to students who are less qualified, but have access to wealth, over those without the resources to buy a place.

The opposition's promise of access to HECS and loans is hollow, as it has made no provision for the substantial budgetary costs involved. In any case, this is not likely to be an attractive option for students who cannot afford fees, as they would have to face the prospect of a lifetime mortgage on their higher education. As a solution to the unmet demand problem, therefore, the opposition's proposals are meaningless.

I might say that the opposition is good at hollow promises. One example is its promise to maintain real funding rates — as we are planning a three per cent increase in real funding rates over the 1992–94 triennium, that is of little consolation. Similarly, the opposition's promise of 25,000 additional TAFE places was more than matched, even before it was announced, by the government's decision to fund an additional 40,000 TAFE places this year.

But the main problem I have with fees — and with associated voucher proposals — is their long-term effects on the direction of the system. Education is not just a consumption good, nor is it a personal investment that benefits only the individual participants. There is a fundamental 'public good' aspect to education — which differs across course areas — and which has to be recognised.

For example, Michael Porters' comprehensive study entitled 'The Competitiveness of Nations' explicitly identifies public investment in education and training as probably the single most important thing governments can do to enhance economic success. And, of course, the value of education goes beyond narrow economic concerns. If it were otherwise, then there would be no case for public subsidy of education at all. So much of the rhetoric about education and training is fundamentally misplaced.

Some of the detailed issues of concern with vouchers were summed up by AVCC Chair Professor McKinnon in his ANZAAS address last October. Professor McKinnon said,

> these concerns include the value of the proposed 'voucher', how it can be used, how much intervention will be applied by government to prevent only 'popular' courses (such as medicine and law) being taught; how to provide specialist, needed, but low student number courses; the impact of the probable drift to the 'major' universities and resultant creation of mega-universities and subsequent loss of diversity.

Professor McKinnon went on to say that

> I have no doubts that the creation of mega-universities, an inevitable outcome of a 'pure' voucher system, would see the demise of some smaller institutions which currently play a crucial role.

It seems that Dr Kemp chooses to wax lyrical about the virtues of institutional diversity while, at the same time, he proposes to implement policies that would severely impinge on diversity.

The truly amazing thing about the opposition's announcements is that, four months and masses of verbiage later, they have yet to answer Professor McKinnon's concerns. Dr Kemp's paper refines the rhetoric without defining the substance. At the most basic level, they have yet to say whether their vouchers would be 'fixed price', or whether their value would reflect differential course costs. One could just imagine the effects of fixed-price vouchers. They would, for example, force universities to charge even voucher-holders additional fees of perhaps around $70,000 for a medicine degree.

Regardless of this issue, a major problem with a fees/voucher system is that students would flock to the most popular courses opening up the most lucrative careers. Institutions would have a powerful incentive to structure their course offerings accordingly. One result would be an exacerbation of labour market imbalances, with fewer and fewer people undertaking high-cost but not highly lucrative courses such as engineering, science and agriculture. Another result would be that access to the most lucrative careers, such as medicine and law, would be progressively closed off to those who could not afford fees.

The fees/vouchers proposals raise a number of other issues, such as:

- unequal access to, and uneven quality of, information on courses and institutions
- regional imbalances and disruption to staff and students from the collapse of some institutions
- problems of limited geographic mobility and fixed capital stock.

Finally, I believe that much of the rationale for a changed approach is misplaced. The belief that the government is centralist and interventionist in its involvement in higher education funding is in part an over-reaction to the abolition of CTEC as a buffer organisation between institutions and government and to the introduction of the system of institutional profiles.

Part Two
Governance and Intergovernmental Relations

INTERGOVERNMENTAL RELATIONS IN AUSTRALIAN HIGHER EDUCATION

A CRITIQUE

Neil Marshall

During the decade 1977–87 the administration and funding of Australia's tertiary institutions was carried out by the Commonwealth Tertiary Education Commission (CTEC). CTEC presided over an intergovernmental environment that ensured state involvement in the determination of higher education policy. It was a stable and productive arrangement that enjoyed the support of both Commonwealth and state governments. Since the implementation of the reforms outlined in the Green and White Papers, however, the Commonwealth has largely assumed control over the direction and development of the universities. The states have been forced to the periphery of the policy process. The governance and control of Australian higher education has emerged as the most centralised of any western federal system. Moreover, the recent recommendations of the Australian Education Council's (AEC) working party on higher education may well enhance this situation.

It is argued that the present dominance of the Commonwealth is an undesirable development for it denies many of the positive and creative elements that a federal structure can contribute to policy formulation. The involvement of two or more levels of government in a policy arena ensures the injection of diverse points of view as well as the critical scrutiny of competing proposals. An intergovernmental environment also enables decision-makers to draw upon broader sources of knowledge and expertise, and provides a framework which facilitates more direct linkages with the workface. In addition, the need to obtain the support of a range of interests is likely to result in more carefully considered and better formulated policy outputs.

The following discussion suggests that many of these federal attributes were present during the CTEC years. In the wake of the 1987–88 reforms, however, and the managerialist style of policy-making that emerged, many of the benefits that resulted from the Commission's intergovernmental approach have been lost. Not only has state participation been reduced, but institutional access to decision-making processes has also declined. The consequences of this lack of participation has been a deterioration in the quality of policy formulation and implementation at the Commonwealth level.

THE CTEC PERIOD

The Commonwealth Tertiary Education Commission was formed in 1977 from the amalgamation of three previously separate commissions: the Universities Commission (established in 1959), the Commission on Advanced Education (1965), and the Technical and Further Education Commission (1974). It was therefore an evolutionary development which enabled CTEC to inherit a substantial body of professional expertise and well-oiled operating procedures. Like its predecessors, CTEC was given both advisory and administrative powers. Its terms of reference were to ensure the balanced and coordinated development of all the nation's tertiary institutions, to make recommendations to the Commonwealth government on the extent of financial support for institutions, and to distribute grants to campuses. In carrying out these functions, CTEC was assisted by three subordinate advisory councils; the Universities Council, the Advanced Education Council and the Technical and Further Education Council. The Commission's terms of reference also required it to consult with the states before reporting to the Commonwealth. In this regard it was expected to build upon established and accepted modes of interaction with the states. Following the Whitlam government's assumption of the total funding for universities and colleges in 1974, however, the states demanded an additional safeguard to assure their continued involvement in the policy arena. At the 1979 meeting of the Australian Education Council state education ministers agreed upon the introduction of a system of regularised consultation which necessitated extensive collaboration with state bodies in the course of policy development. Multi-lateral meetings between CTEC and state authorities to discuss issues of national importance were also established.

The result of the AEC's changes was the creation of a particularly elaborate intergovernmental environment. The views of all contributing bodies were sought before any decisions were made. The Universities Council considered the written submissions of the universities pior to visiting each campus for discussions. In the case of the Advanced Education Council and the TAFE Council, negotiations were conducted with state coordinating authorities rather than individual campuses. These authorities were statutory bodies and had been established initially in the 1960s to monitor the regional development of the CAEs. They were responsible for such matters as course accreditation and approval, capital works programs, equipment purchases and staff establishments. During the early 1980s the role of most of the coordinating bodies was broadened to cover planning across all three sectors of tertiary education and to provide policy advice to CTEC. Though the level of state control on CAE activity had been considerably relaxed by this stage, these bodies remained a critical element in shaping the evolution of the colleges. After state authority and institutional viewpoints had been considered (as well as those of relevant interest groups), CTEC developed policy proposals for the sector as a whole.

Though the CTEC framework was large and complex, it did possess a number of advantages. The most obvious of these was that all groups in the higher education arena were assured of participation in the decision-making process. From an intergovernmental perspective it meant that Commonwealth, state and local (institutional) interests were effectively represented in the system. Moreover, these groups had to work with each other if policy was to be formulated. Though the Commonwealth enjoyed a virtual monopoly over funding, other resources such as legislative authority, expertise and information were shared with the states and institutions. As one chairman of CTEC observed, the Commission was not in a position to 'run' the sector (TEC 1979, 26), rather, 'objectives ... can be achieved only in cooperation...with the state authorities and institutions responsible for tertiary education' (TEC 1979, 27).

The need to cooperate, in turn, encouraged good policy development. Harman noted that CTEC's reports achieved 'a standard reached by relatively few similar agencies anywhere in the world' (Harman 1984, 514). Because the structure consisted of a multiplicity of groups competing for favourable outcomes, negotiation and compromise were pervasive activities. Interaction was facilitated by a general commitment to academic values and the adoption of a collegial approach to the resolution of issues. This style of interaction required that participants prepare carefully considered arguments and well-researched proposals to support their case. Some state authorities clearly put considerable effort into the quality of their submissions. Though the lowest common denominator was not an infrequent result, overall the system tended to generate a variety of alternative solutions and sound recommendations. While the Commission and its subordinate councils undoubtedly exerted the major influence over the development of higher education, the formulation of policy was very much a joint undertaking. Finally, the CTEC framework provided reasonable certainty of success in carrying out intended courses of action. The effective involvement of groups in the process leant credibility to the Commission's proposals and ensured system-wide support during implementation.

In addition to these attributes, however, the CTEC framework also incorporated a number of weaknesses. It was cumbersome and unwieldy in operation. It took a long time to reach agreement on critical issues and then the outcome was usually incremental. Though flexible in the longer term, the sytem lacked the ability to respond to immediate problems. There was some duplication and overlap, accountability provisions were tenuous, and formal evaluative processes somewhat vague. Within Commonwealth political and bureaucratic circles these deficiencies received increasing emphasis during the mid-1980s with the result that the CTEC structure came to be widely perceived as inefficient and ineffective.

These perceptions appear to have been shared by John Dawkins, the inaugural minister for the Department of Employment, Education and Training (DEET) which was created after the 1987 federal election. Upon taking up his position, Dawkins dismantled the CTEC structure and handed its administrative and regulatory functions to his new department. In the Commission's place the National Board of Employment, Education and Training was established which is a statutory body with advisory powers only. These organisational changes, in turn, provided the springboard for the reforms set out in the Green and White Papers.

THE STATE RESPONSE

The Green Paper was generally well received by the states. Tasmania, New South Wales and South Australia were almost entirely supportive. Victoria, Western Australia and Queensland were critical of aspects of the proposals but nonetheless agreed to the introduction of Dawkins' agenda at the February 1988 meeting of the AEC. Several factors underlay this acceptance. First, there was a high degree of congruence between the Commonwealth's economic goals in relation to higher education and those of the states. State economies stood to benefit equally from the Green Paper's plans to produce larger numbers of skilled graduates, improve research performance and enhance institutional effectiveness. Second, Dawkins had promised to underwrite the reforms with a substantial injection of new funds. After years of declining resources, this was a particularly attractive carrot for the states. Third, the Green Paper — and later the White Paper — outlined extensive consultative arrangements with the states in the implementation of the new framework. The rhetoric of both documents emphasised the need for collaboration between the two levels of government; the Commonwealth, Dawkins stated, 'is committed to an approach that sees the states also involved in the development of higher education policy' (Dawkins 1987, 48). Recognition of state needs had been maintained by federal commissions for many years, and it was no doubt assumed by the states that this commitment would continue. The major instrument for facilitating interaction with state authorities was to be the Joint Planning Committee, a body consisting of two representatives each from the state and Commonwealth governments. The Joint Planning Committee was to provide advice to the Commonwealth on the particular needs of the state and the distribution of resources within the state. In instances where disagreement arose between the Commonwealth and a state, resolution would be sought through direct bi-lateral ministerial dialogue. An additional important intergovernmental channel was to be the Commonwealth/State Consultative Committee, a multi-lateral forum which would encourage the expression of the collective views of the states on 'issues of national importance' (Dawkins 1987, 49).

Following their acceptance of the Commonwealth's reforms, the majority of states implemented their own organisational changes which reflected broadly those that had been introduced at the federal level. All states except Victoria abolished their statutory coordinating authorities and replaced them with offices of higher education located within the education ministry. The new offices lack the adminsitrative and regulatory powers of their predecessors and are confined to providing the minister with advice on the activities of the state's campuses. They also liaise with Commonwealth authorities and prepare strategic plans. In addition to the offices, four of the states established higher education advisory councils — consisting in the most part of heads of institutions — to advise the minister on the development of the state's campuses, and to act as a means of facilitating informal coordination.

THE POLICY-MAKING FRAMEWORK

The spirit of intergovernmental cooperation outlined in the Green and White Papers has not been fulfilled in the Commonwealth's approach to higher education policy-making. The administrative framework — in both design and operation — has been structured in such a manner as to marginalise state input. An important factor contributing to this situation has been the composition and role of NBEET and its four specialist advisory councils. There is no provision in the NBEET Act for the Board or the Higher Education Council to consider the interests of the states. Under Sections 7 and 31 of the Act the Board and the Council 'may consult' with any person or group they consider necessary but, unlike the CTEC Act of 1977, there is no requirement to do so. Indeed, it seems likely that, given the limited resources of the Board and its councils, little scope is available for discussion of state concerns. The Board and councils are assisted by a secretariat of only 38 persons, an inadequate number with which to service a portfolio that covers higher education, employment, training, schooling and research. Moreover, it is insufficient to build a reservoir of expert knowledge. This lack of secretarial support is especially critical given the high proportion of part-time members on each of the councils. As both the Board and the councils meet only bi-monthly on average, the opportunity for part-time members to contribute effectively to complex issues is constrained.

Formal access to the NBEET structure is in fact confined to two bodies: the Commonwealth/State Consultative Committee and the Joint

Planning Committees. Yet both these bodies — as collaborative arenas — are restricted in scope. The function of the Commonwealth/State Consultative Committee is to provide information and advice to DEET and NBEET. It is the only multi-lateral forum available to the states and therefore the only venue which can discuss national issues. Its value to state higher education authorities, however, is limited for it is also the only multi-lateral forum open to the whole range of interests under the Employment, Education and Training portfolio. Higher Education must compete with a host of other pressing concerns, with the result that it has received cursory treatment (see for example NBEET 1990, 13). Scope for discussion is further curtailed by the fact that the Committee met on only three occasions over the three years 1989–91. To a considerable extent this lack of activity has been DEET's responsibility. The Commonwealth minister or DEET may convene a meeting of the Committee at any time. For the states to do so, however, requires a written request from five members (NBEET Act s.47). DEET has clearly not seen any great need to utilise the services of this body which, by mid-1991, appeared to be largely moribund.

The other focus for Commonwealth/state interaction is the Joint Planning Committee. The Joint Planning Committee for each state consists of a senior officer from DEET and the Chair of the Higher Education Council who represent federal interests. State representation involves the chief executive officer of the state's higher education office and a senior public servant, usually from the ministry of education. Joint Planning Committee meetings have taken place twice a year, before and after the Commonwealth's profile negotiations with individual institutions. Their purpose, as the Green Paper indicated, is to allow the state authorities to put forward views on such matters as the level of student enrolments, recurrent and capital funding, and general strategic planning.

Despite the importance placed on the Joint Planning Committees by Dawkins in the White Paper, the Commonwealth's initial approach to these venues appears to have been lukewarm and variable. Dates for meetings and agendas were determined at the Commonwealth's discretion, and inadequate time given to the states to consider briefing papers. Certainly the states were unhappy with the outcomes of these deliberations. The South Australian Office commented that the result of its negotiations on the State's Joint Planning Committee for a larger number of student places was 'less than satisfactory' (SA OTE 1989, 21) while Western Australia's experience with its Committee 'suggests that the Commonwealth gives scant weight to the views of the State Government' (RHEWA 1989, 40).

After a resolution by the AEC in April 1989 demanding more effective consultative procedures, the Commonwealth has treated these forums with greater respect. Nevertheless, it is clear that the Committees are still not being used as intended. The executive officer of Queensland's

Office of Higher Education wondered whether there was a 'genuine commitment' on the part of the Commonwealth to the Joint Planning Committees, or whether they were 'established as a blind, to distract attention from the power which the Commonwealth derives from its control of the purse strings' (Tabrett 1990, 2). In the opinion of Western Australia's State Office, the Joint Planning Committees, 'have tended to be primarily meetings where the Commonwealth perspective is put with the states being required to react with little opportunity to help shape outcomes' (WAHEC 1991, 21).

The Joint Planning Committees' apparent lack of influence stems from the fact that the major instrument used by the Commonwealth to conduct national planning is the institutional profile. The White Paper emphasised that the institutional profile is 'the principal means for defining the role of institutions and the basis on which it receives Commonwealth funding' (Dawkins 1988, 29). Though the Green Paper intimated that state authorities would be involved in profile discussions, DEET has subsequently excluded the states from attending these venues. To some extent state authorities have overcome this obstacle by ensuring that they are provided with appropriate briefing papers and an account of the outcomes of the negotiations. It does mean, nonetheless, that the states are not present at critical meetings where campus futures — and therefore state regional interests — are decided.

It would be misleading to suggest that the demands of the states have been entirely ignored in the course of Commonwealth deliberations over the direction and development of policy. Because there is a high degree of congruence between federal and state objectives on most issues, the states have been quite satisfied with the nature of decisions. Indeed, there has been strong cooperation and mutual planning in a number of areas. It is clear, however, that where differences between state and Commonwealth priorities arise, the Commonwealth view prevails and there is little evidence on these occasions that the Commonwealth attempts seriously to address state concerns. In the case of Victoria, for example, the Commonwealth rejected state intentions to provide credit transfers for TAFE students entering a degree course, increase school to university transition rates, ensure that all university academics had the opportunity to undertake research and reduce teacher education numbers. Moreover, because the major focus of Commonwealth activity in higher education is on the educational profile, this involves adopting an essentially local, as opposed to state, perspective in determining planning strategies. In instances of a divergence between the institutional view and that of the state, the former is likely to take precedence. The longer term consequences of this situation may mean a series of local development initiatives which do not accord with state intentions.

The Commonwealth's lack of legislative provision for state involvement in higher education, and the manner in which existing consultative structures have been utilised, suggest that over the last four years or so federal authorities have regarded the states more as an encumbrance than as contributing partners. Publicly available Commonwealth reports on higher education give little indication that state views have been carefully considered or are particularly consequential in the development of policy.

STATE ACQUIESENCE

Structural barriers in the DEET/NBEET framework have clearly inhibited state involvement in the higher education policy process. Other factors, however, have also contributed to a weakening of the states' position in the intergovernmental arena. Probably the most important of these was the decision by all states except Victoria to abolish their statutory coordinating bodies and replace them with offices of higher education. With the dismantling of the coordinating bodies — along with their regulatory and administrative functions — the states also removed much of their authority to determine the direction of institutional development within the state. These powers, as Karmel (1989) points out, were simply appropriated by the Commonwealth and re-employed through the medium of the educational profile process. It is an outcome that has strengthened the position of the Commonwealth whilst lessening that of the states.

Furthermore, when creating their new offices of higher education the states also reduced levels of funding and personnel. State offices, except Victoria, now lack the resources to provide sustained critical analyses of Commonwealth policy initiatives. Yet the importance of such activity has been demonstrated by Victoria. The Victorian Post-Secondary Education Commission, which has maintained a strong staffing contingent, was intrumental in requiring federal authorities to confront the question of academic staff shortages, and later in getting them to reassess their appoach to institutional overenrolments (see below).

A second factor attenuating the influence of the states has been the strong centralist stance adopted by the Australian Vice-Chancellors' Committee (AVCC) and the Federation of Australian Universities Staff Associations (FAUSA) in the wake of the White Paper. Both organisations have advocated that the states all but vacate the higher education sector. The two peak bodies are hostile to state authorities and are reluctant to consult with them. Not only does this situation create additional centripetal forces within the system but reduces the effectiveness of the states' higher education councils. These councils consist predominanantly of vice-chancellors (though in Victoria there is an influential union presence as well). Institutional leaders, whose focus is essentially directed towards Canberra, lack the same commitment to a cooperative state perspective. The problem is reinforced by the competitive dynamic underlying campus interaction within the same state. South Australia's Advisory Council on Tertiary Education broke up only a few months after it was established. In Victoria, vice-chancellors have been highly critical of the State's Higher Education Consultative Committee and have recommended the removal of VPSEC itself. The state perspective therefore receives little support from critical interest groups; a particularly important factor in terms of the special status that the AVCC enjoys in its relationship with Commonwealth authorities.

THE IMPACT OF STATE EXCLUSION

Commonwealth dominance in the higher education arena has had a twofold impact. The opportunity for states, institutions, and the broader community to participate in decision-making processes has diminished considerably. This outcome, in turn, has contributed to a deterioration in the effectiveness of national policy formulation and implementation.

The states' acceptace of Dawkins' reforms has not only pushed them to the periphery of involvement in the policy arena, but also denied the expression of broader regional interests. The states' previous statutory authorities contained a number of part-time representatives from various sectors of the community. The new offices, on the other hand, are staffed only by full-time executive personnel appointed for their management abilities. Linkages with the community have been further reduced by the relative absence of working parties and standing committees — drawn from local professional associations and other groups — which allowed the input of specialist advice on particular issues. Only Victoria maintains a range of committees. New South Wales has none at all.

The effect of Dawkins' reforms, however, is not confined to their impact on the states. At the institutional level significant representational shrinkage has occurred as a result of amalgamations between universities and colleges. The number of campuses has declined from 66 in 1987 to 36 in 1991. In the case of merged institutions, there is now usually only one governing council where there used to be two, three, or even four. Access to the universities' governing bodies, therefore, has been greatly reduced for students, staff, and the local community. In cases where campuses are geographically dispersed, regional interests too have suffered. In addition to this situation, the large size of institutions — particularly those that incorporate disparate sites — has necessitated building broader administrative structures to ensure coherence of activity. In many cases these new structures are modelled on corporate principles. This development is undermining the collegial framework and leading to a growing separation between administrative and academic functions. Certainly there is a widespread perception on the part of both staff and students at a number of campuses that not only has the vice-chancellor become more remote, but also that their own involvement in decision-making has declined significantly.

Fewer institutions has also resulted in a reduced capacity to influence policy at the system-wide level. DEET and the Higher Education Council negotiate with a smaller number of vice-chancellors in the course of their profile discussions. Given the growing distance between senior administrators and their staff and students, DEET's information about the nature of the environment at the workface is reduced accordingly. The *modus operandi* of profile discussions, furthermore, restricts the scope of interaction between DEET and the Higher Education Council, and campus personnel. Negotiation is largely constrained by the format of profile submissions (determined by DEET) which emphasise the quantitative aspects of campus activity. This situation contrasts with the procedures under CTEC when institutional submissions were more open-ended and incorporated a qualitative dimension. Furthermore, CTEC's annual visits to campuses involved discussions with various employee and student groups as well as the vice-chancellor's immediate staff. These factors suggest that DEET does not possess the same insight into, and familiarity with, the internal processes of institutions that CTEC did.

At all levels within the national higher education administrative framework, therefore, participation and access have contracted significantly. Structural impediments have been reinforced by the Commonwealth's reluctance to consult on critical issues. This stance was established initially by Dawkins in his approach to the processing of the Green and White Papers. Though the Green Paper was a discussion document intended for critical response, it is clear that the government took almost no notice of the 600 or so submissions that were received. This style continued in the aftermath of the tabling of the White Paper. Dawkins refused to consider seriously the views of academics. This was probably best conveyed in his now famous statement that *The Australian's Higher Education Supplement* amounted to a 'wailing wall' of uninformed debate (Dawkins 1990) and, in a later interview, his admission that he 'tries to ignore the supplement's curious authors' (West 1990). A similar reaction was forthcoming in June 1990 to the Senate Standing Committee on Employment, Education and Training when it released a report expressing serious reservations about the standard and content of university degrees (1990). Dawkins' response was to ridicule the document, describing its conclusions as 'poorly based' and a 'useless contribution' to the debate on higher education (Barbeliuk 1990). Such attitudes have tended to be reflected in the upper echelons of DEET where beliefs that university staff are 'whingers' and 'wankers' are not uncommon (Massey 1990, 45).

Neither DEET nor the Higher Education Council have been noted for their extensive consultative practices. This has improved more recently with attendance by officials at various seminars and workshops dealing with university issues. There have also been attempts to collaborate more widely on major policy initiatives. The Relative Funding Model for financing institutions, for example, emerged after wider discussions with interested parties. Yet it is also clear that such discussion is often perfunctory or tokenistic in nature (for example McCullogh 1990). By and large, in-depth consultation on the part of DEET and the Higher Education Council is confined to the AVCC.

THE QUALITY OF POLICY-MAKING

A number of scholars of Australian federalism (for example see Fletcher & Walsh 1991; Galligan 1991; Sharman 1989) argue that dominance by one government of a particular policy arena is counterproductive. The involvement of multiple participants, they suggest, gives rise to a healthy competitive element between governments and therefore greater responsiveness to citizens' needs. Competition between governments also ensures a wider range of policy options, encourages informed critical analysis, reduces the possibility of serious policy failure (particularly in complex areas), and promotes flexibility in approach. The negotiation and compromise required from all parties, furthermore, are likely to result in a higher standard of policy development. Conversely, a government that has sole responsibility for a policy arena will probably be less responsive to the demands of client groups, more prone to making mistakes, and less able to benefit from diverse points of view.

In terms of this perspective it is argued that higher education policy-making — which is now very largely a Commonwealth concern — has deteriorated in scope and substance since 1987–88. Federal policy development has become a top-down affair with initiatives, for the most part, taking the form of directives. Formulation and implementation processes have been compressed into short and arbitrary time frames. Issues have not been subjected to the critical scrutiny of affected parties, nor has there been much opportunity to consider alternative courses of action. Most importantly perhaps, the failure to collaborate has deprived DEET and the Higher Education Council of relevant information about the internal operating environment of the campuses.

Probably the clearest example of the nature of the outcome of the Commonwealth's approach in this regard was the Green and White Papers. Both documents were widely criticised by the academic community as being weak in intellectual rigour and exhibiting little appreciation of the special characteristics of the tertiary sector (see for example Bourke 1988; Williams 1988; Karmel 1989). A more recent instance was the Higher Education Council's recommendations on the length and nomenclature of university degrees. The Council had neglected to dicuss the matter adequately with client bodies and the result was, as the AVCC described it, 'ill-conceived and formulated with basic lack of understanding of the university system' (Hui 1990). A similar lack of understanding emerged in 1991 when many institutions experienced serious overenrolments, up to 20 per cent in some cases. This situation resulted in overcrowding and deteriorating standards. The Commonwealth minister's initial response was to blame institutional management and refused to take any immediate action. A report by VPSEC, however, later dispelled the 'myth' that overenrolments were the fault of campuses. Rather, the problem was due to higher retention rates by those already enrolled, underfunding for infrastructure, and contradictory regulatory policies. Somewhat forcefully the report concluded that:

> The problems resulting from unfunded enrolments need to be worked through at the level of individual programs and institutions and the views of a broader cross section of those involved obtained ... there is a need for a more structured approach to consultation (VPSEC 1991, 51).

The VPSEC document clearly implied that, had effective consultation taken place earlier in the piece, the extent of overenrolments could have been minimised.

Commonwealth policy-making has also been less than responsive to many of the concerns voiced by campuses. The importance of maintaining high standards in university teaching, and promoting diversity of activity between institutions, were emphasised as important goals by the Green and White Papers. Standards and diversity, however, are widely perceived by both academics and state authorities to have slipped substantially since 1987–88. The question of diversity has been almost entirely ignored by DEET, and it was not until August 1991 that the minister somewhat belatedly asked the Higher Education Council to inquire into quality.

A further indicator of a decline in the effectiveness of Commonwealth higher education policy-making has been the very high level of resistance at the institutional level to federal initiatives. A survey published early in 1989 by the University of New England indicated that a majority of academics were opposed to the bulk of Dawkins' reforms (Harman 1984; and Meek 1989). Two years later this opposition broke into open hostility with the formation of the Higher Education Fighting Fund. The Fund placed a number of advertisements in the *Higher Education Supplement* which attacked many of the components of federal policy and demanded an inquiry into the operation of DEET (*The Australian* 8 May, 1991). A survey by the Fund also found that of 2500 academics who responded, the vast majority were highly critical of the Commonwealths reforms (*The Australian* 3 July, 1991). Though the methodology of the survey can be questioned, the result would nevertheless suggest substantial resistance to federal initiatives at the workface. This in turn has serious ramifications for the successful implementation of policy. The most obvious manifestation of discontent in this regard is the breaking down of some institutional amalgamations. As Harman points out,

> the support of academics is crucial to achieving real change. To implement changes within academic departments and faculties and to ensure that national policies are really applied at insititutional level, it is essential that academics are persuaded that planned changes are both necessary and desirable (Harman 1991).

THE AEC WORKING PARTY

The report of the AEC's working party represents a likely continuation of the strategies and approaches adopted by the Commonwealth over the last four years. The working party met for the first time in January 1991 and held four meetings before submitting draft recommendations in March. Members of the working party consisted of the chief executive officers of the state offices of higher education, and a representative from DEET and the Higher Education Council. In the course of its deliberations (somewhat surprisingly given the Commonwealth's previous record on consultation), it held discussions with the AVCC, academic employee unions, the National Union of Students, the Australian Council of Trade Unions, the Business Council of Australia, and the Academies of Science, Humanities, Technological Science and Engineering, and Social Science. The working party's proposals were approved at the August 1991 meeting of the AEC.

Several major recommendations emerged from the report. The first was a definition of the respective roles of the two levels of government. It was agreed that the Commonwealth would have primary responsibility for 'determining national policies, objectives and priorities' and the administration of funds. The states were entitled to develop their own goals 'within the framework of national policies' and to monitor institutional reporting obligations and requirements (AEC 1991a). Second, to enable the states to have some involvement in the setting of national objectives, a new Joint Working Group on Higher Education was established. The new body will allow multi-lateral discussions with the Commonwealth. Third, the Commonwealth be given the authority to make direct payments to universities without having to go through state Treasuries. Fourth, the Commonwealth and states would work towards uniformity in reporting procedures for institutions and the development of mutually agreed performance indicators.

These recommendations seem likely to entrench the dominance of the Commonwealth for the agreed roles of governments confirms the subordinate status of the states. Allowing the Commonwealth direct financial access to institutions enables federal authorities to by-pass the states in its administration of the campuses. This is a development of considerable symbolic significance and permits the federal government to claim the universities as truly national concerns. Against this the Commonwealth has indicated a willingness to improve consultative arrangements with the states and give them some influence in the determination of central priorities. Structural support for these moves is, however, lacking. The new Working Group is not to be incorporated into the NBEET Act and will have no legislative force. Its success will depend on the goodwill of federal bodies. The working party also outlined its intentions to regenerate the Commonwealth/State Consultative Committee as an important collaborative forum. There is no safegaurd, however, to prevent it falling into the same inactivity as it has done over the last three years. Moreover, no provision has been made for state participation in institutional profile meetings though this would have seemed highly desirable.

It is difficult not to conclude that the states gained very little from the working party exercise. The fact that they started from a weak negotiating position no doubt had much to do with the outcome. It is also clear that the interest groups consulted by the working party expressed strong opposition to increased state involvement and this served to inhibit the extent of state expectations. A further factor appears to have been that the Commonwealth was particularly skilled in its negotiation with the states. It was able to persuade the states, for example, that direct federal funding to campuses would avoid 'delays', 'uncertainty', and 'duplication', and would 'increase efficiency' (AEC 1991b). Yet in reality the administrative and financial costs of funding universities through state treasuries is quite minuscule. Their removal hardly seems justified in proportion to the resulting loss of state control over their campuses — even if that control is largely symbolic. Indeed, *The Australian's Higher Education Supplement* described it as 'a move which will consolidate the Commonwealth's power in higher education' (30 October 1991). Finally, the very short period of the working party's deliberations (the group was chaired by the Commonwealth) perhaps did not permit the states sufficient time to consider the full import of their recommendations.

FUTURE DEVELOPMENTS

In the wake of the Special Premiers' Conference and the subsequent establishment of the working party on higher education, DEET and the Higher Education Council have displayed a much greater willingness to work with the states. The spirit of Hawke's 'new federalism' has succeeded in fostering a more cooperative intergovernmental environment in higher education. At least in the short term this should encourage a more open and constructive policy process. The weakness of the arrangement is that an effective contribution on the part of the states depends almost entirely on the Commonwealth's continuing goodwill in this regard. A change in the political climate of federalism may well result in a quick reversion to complete Commonwealth dominance. The states could find themselves totally excluded from policy development if this eventautes. The existing administrative structure contains no legislative provision (apart from the Commonwealth State Consultative Committee) that assures their future involvement.

It is unlikely, however, that the states will countenance total exclusion should such a situation arise. There are two reasons for this. First, the funding equation has changed considerably since 1987–88. The introduction of HECS and the raising of funds through fees and research contracts has substantially reduced institutional dependence on Commonwealth grants. The financial contribution of the states to the universities for both teaching and research has also grown. Victoria contributed some $300 million to its campuses over the period 1985–90, and during 1990 its grants amounted to 10 per cent of total Commonwealth/state funding. Queensland will expend about $80 million between 1989–94, while the Northern Territory provided $25 million over 1988–90. In the light of these developments the states would be strongly placed to demand a much more effective input into the determination of higher education policy.

Second, it is likely that there will be an inceasing divergence between Commonwealth and state higher education objectives. In the economic arena there is a growing awareness of the importance of the universities to the development of regional commercial enterprise. The characteristics of state economies vary, however, and Commonwealth funding policies — which adopt a national perspective and are based on performance — could favour those states with sophiscated industrial sectors. Such an outcome will be of critical concern to those states, such as South Australia and Western Australia, which do not possess the established infrastructure of their eastern counterparts. Also of concern is that existing federal policies — as implemented through the institutional profile process — will lead to a homogenisation of campus activity. This would inhibit the ability of campuses to respond to particular state professional training requirements, meeting different demographic needs, and responding to state cultural expectations (especially in the area of curricula). As the Western Australian Council of Higher Education noted:

> The broader issue here is that the 'Unified National System' does not mean the 'uniform' national system. There is a danger that, over time, universities in Western Australia would gradually become more and more similar, catering for the same type of student with the same type of course. In the long-term interests of the State it is essential that all institutions develop distinctive profiles with a significantly different range of offerings (WAHEC 1991, 96).

Diverging expectation of higher education will receive greater definition when all the state offices have prepared their plans for regional development. The first of these documents to be completed, Western Australia's *Planning for Higher Education in Western Australia* (WAHEC 1991), clearly indicates considerable differences in outlook to that of the Commonwealth in a number of areas. If other state plans adopt a similar approach then substantial concessions from the Commonwealth will be required if conflict is to be avoided. Such concessions will probably necessitate restructuring the intergovernmental framework to allow a greater degree of shared authority in relation to the governance of higher education. What is needed, Walsh states,

> is a workable system of intergovernmental arrangements, through which interdependence between the legitimate interests of governments is recognised and coordinated, and through which conflict is identified, mediated and resolved (Walsh 1991, 7).

While it is neither possible nor desirable to return to the CTEC era, it would nevertheless make sense to incorporate some of the successful elements of the CTEC process into future intergovernmental mechanisms. In particular such elements would include structures that ensure effective participation in program formulation and implementation by institutions as well as the states.

Commonwealth and state administrators might also do well to examine the nature of federal structures in other western polities, none of which — significantly — has adopted Australia's very centralised model. Germany and Switzerland, for example, have developed intergovernmental arrangements which give federal authorities power of coordination over issues of national importance whilst at the same time maintaining a high degree of regional autonomy. These frameworks, which require extensive negotiation and accommodation between levels of government, are valued for both the vitality and diversity of approach that they engender (see for example Teichler 1991; Macheret 1991).

Certainly it is necessary in Australian higher education circles to reassess the view that federal structures simply constitute an impediment to efficient policy-making. There is a need to recognise the strengths of the system and utilise their potential to improve the quality of policy development in the interests of the states, the Commonwealth, and the universities.

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GOVERNANCE AND INFLUENCE IN HIGHER EDUCATION IN AUSTRALIA

Leo West

NATIONAL BOARD OF EMPLOYMENT, EDUCATION AND TRAINING

In this paper I intend to focus on the influence of various bodies on the governance of universities. In a strictly legal sense the governance of higher education in Australia is straightforward. Universities are set up under Acts of the relevant parliaments, in most cases the states, and those Acts set out the membership of the council which governs the university. These acts vary and in some cases the parliament or government has considerable say in the Council membership (and there have been occasional attempts by state governments to increase their control over Council memberships). In that sense those governments or parliaments have influence over the governance of the university.

In some states the Acts that set up state coordinating authorities also give them considerable control, and so give the states another form of say over the governance of universities. There are also legislative reporting requirements. Beyond those influences universities are autonomous.

In reality, universities are not so autonomous. Various other bodies exert influence. Several bodies come to mind — the Commonwealth government through its departments and agencies, professional associations, and more recently the Industrial Relations Commission.

That some of these bodies should have an influence over higher education is, in my opinion, unquestionable. It is the right of elected governments to implement their policies, and to the extent that those policies concern higher education, elected governments have a right to influence higher education institutions. I state this as a matter of principle. As an individual in a democracy I have, like all others, the right to criticise those policies and to work to elect a different government. I cannot accept the claims made quite frequently that the universities are self-governing autonomous institutions, and that no government has a right to interfere. I acknowledge that we have constitutional difficulties in Australia. Few would argue against having a national policy on higher education, yet the legal but not the financial responsibility for higher education is held, in most cases, by state and institutional governments. This leads to the practice of the Commonwealth using its fiscal power to influence and control higher education policy.

Professional bodies also have some rights of influence if a university offers a course that educates someone for a profession. Their responsibility is to ensure that individuals registered to practice in a particular profession are indeed competent to do so. In theory, there are a range of ways in which professional bodies could ensure competence for registration, all of them are intrusive of universities' autonomy — whether those procedures be accrediting of courses, entrance examination of candidates, or as some are now doing, the specification of competencies for their profession.

Universities and their staff associations have recently opened themselves to the potential for another body to interfere in their autonomy. By allowing the Australian Industrial Relations Commission to resolve a dispute under the award restructuring guidelines, they have given this outside body the potential to set criteria and procedures for appointment, promotion and other work practices.

The question at issue on the matter of governance is not that other bodies interfere in the way universities are run, but the extent to which they do, at what level, and the way in which the balance has been and is shifting. I think this is the issue, even if you do not accept my argument of the in-principle right of certain bodies to intrude on institutional autonomy — for they can and do.

In this paper, therefore, I will examine ways in which the Commonwealth government and professional bodies intrude into university autonomy, and the extent to which they did so in the recent past. Given where I am coming from, I will give greater emphasis to the influence of Commonwealth government.

COMMONWEALTH GOVERNMENT

The major Commonwealth body which implements higher education policies is the Department of Employment, Education and Training (DEET). As its name implies the DEET portfolio is much broader than just higher education. Higher education is one of 10 divisions in DEET.

Separate from DEET is the National Board of Employment, Education and Training (NBEET), a statutory body which provides advice directly to the minister, and is independent of the department. NBEET covers the whole portfolio, not just higher education. It has four Councils: the Higher Education Council (HEC), the Australian Research Council (ARC), the Employment and Skills Formation Council and the Schools Council (see Figure l). A new Council on Language and Literacy is in the process of being established.

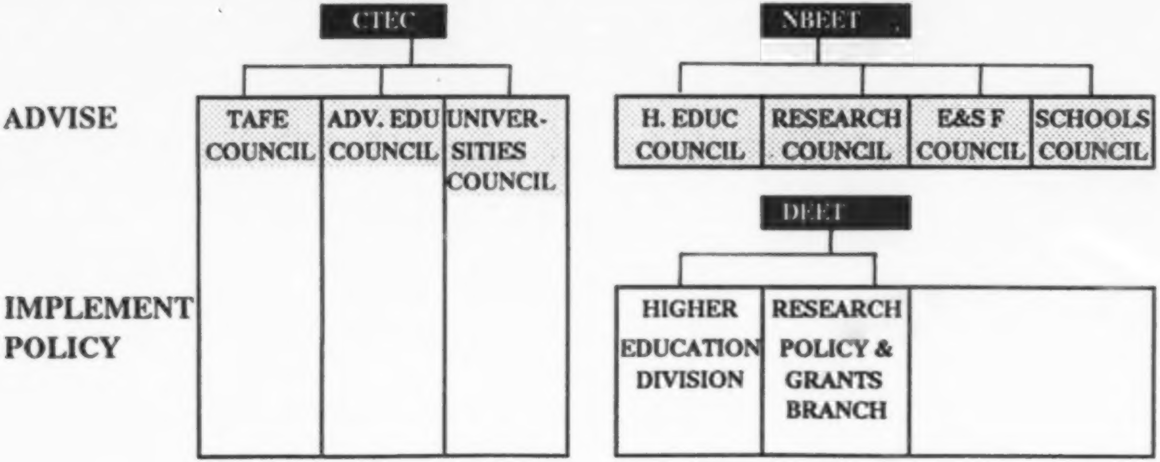
The Councils, apart from one of the functions of the ARC to be noted below, advise the minister through NBEET. Two subtleties are encompassed in that statement: that they *advise* the minister and that advice is made *via NBEET*.

The direction of advice to the minister through NBEET is significant to the debate about the independence of the Higher Education Council from DEET. A key task of the Board is to integrate the advice for the Councils taking into account the views of the other Councils and the diversity of interests that exist on the Board as it broadly represents various community interests. The latter include representatives of industry, commerce, trade unions and social service organisations. You have to be quite a conspiracy theorist to imagine that the members of the Higher Education Council — all of whom except the chair are part-timers otherwise employed, many from the higher education sector, representatives of the other Councils on the Board (chair and deputy chair), and in turn the other members of the Board could all be 'in the pocket' of DEET.

The significance of the advice function (it is actually an advice and monitoring function) is that the Councils and NBEET do not deliver programs. For example, the HEC does not allocate funds to higher education institutions. It advises the minister on the principles that should be used to allocate funds to higher education institutions, and it monitors and reports on the allocation, but it does not recommend on allocations. This is in stark contrast to the Commonwealth Tertiary Education Commission (CTEC) and the Universities Council, which recommended details like the allocation of funds, of student numbers, and so on to individual institutions. These differences are shown in Figure 1, which illustrates how CTEC's policy implementation function has been split off from the HEC in the current structure. This separation of functions is true for the other councils except the ARC which administers the research allocation program as well as providing policy advice on research.

There are several consequences of these structural differences between CTEC and NBEET. The existence of the separation of advice and monitoring (HEC) and implementation (Higher Education Division of DEET) has demanded much greater transparency of the processes involved. The procedures for the allocation of resources to higher education institutions are now completely open — a stark contrast to the situation under CTEC. A second structural consequence of NBEET not being involved in implementation is that its advice is not encumbered by any perceived difficulty of implementation. NBEET would not offer advice that is high on principle but totally impractical, but the practicalities of implementation are not high on NBEET's criteria in forming advice. This argument is partly negated by the practice of joint working parties in some areas, for example in the extension of the list of

FIGURE 1 STRUCTURES OF ADVISORY/IMPLEMENTATION BODIES



competitive granting agencies used to allocated research mechanism funds (in this case a joint ARC/HEC/DEET working party), but in the end the ARC and HEC members are less interested in the mechanics of the data collection and more interested in the principles to be applied to decide upon inclusion or not of funding sources.

The most important consequences of the structural differences, however, concern independence — independence of CTEC and NBEET from government on the one hand, and the independence of institutions from the two structures on the other.

There is no question that CTEC was and NBEET is legally independent of the government. Their senior officers were/are statutory officers; membership of their part-time councils and the Commission/Board consist of similar people. For example the HEC contains the chair, five academics (one representing the academic staff associations), an executive from industry, a trade union research officer, an executive officer from a state department, and the national president of the National Union of Students. The Universities Council in 1982 consisted of the chair, three academics, a university librarian, a grazier, a lawyer, a managing director, and a consultant psychologist.

Smith and Williams (1990) made the distinction between CTEC and NBEET noting that the latter has to respond to the minister's formal references and so its perusal of other matters on its own motion was restricted by the size of its program of references from the minister. The ultimate test, however, is to be found by observing practice and on this test CTEC was intrusive in institutional autonomy in its implementation of government policy — much more intrusive than NBEET and indeed DEET have been. As is so often the case, retrospective views of a 'golden past' are often myth. Let me give some examples, which show a level of interference in the internal administration of an institution that would be unthinkable today. They involve two levels of institutional management — whether it should or should not undertake teaching and research in a particular area, and staffing appointments and conditions.

The first example involves the CTEC forced closure of engineering at Deakin University. The following quotes tell the story well:

> 77. Subsequent to the governments' RCF [the 'Razor Gang'] decision that the three engineering schools should be phased out, the Minister announced in the Guidelines that the government *expected* the Commission to continue to promote the most efficient use of resources available for tertiary education and requested it to consider the opportunities for greater efficiency and savings by reducing unnecessary duplication of effort among faculties and schools.
>
> 81. Each of the options now put forward in relation to Deakin University and Bendigo College of Advanced Education involves a continuation of the engineering schools at the two institutions and would, in the Commission's view, be inconsistent with the

> government's decisions. The continuation, by whatever arrangement, of the engineering schools at Deakin University and Bendigo College of Advanced Education would reduce the level of savings to be gained from the rationalisation of engineering education in Victoria. It would perpetuate the fragmentation of engineering programs, with no advantage in terms of the output of engineering graduates. The Commission is therefore not prepared to support the alternatives which have been put forward by the Victorian Post-Secondary Education Commission in relation to the engineering schools at Deakin University and Bendigo College of Advanced Education.
>
> 82. The Commission proposes to recommend funding in Volume 2 on the basis that there will be no new enrolments to these schools in 1982 and that the schools will be progressively phased out.
>
> (CTEC 1981a, emphasis added).

These quotes are clear evidence that on the matter of whether Deakin University should or should not have a school of engineering, the government decided 'no', told CTEC so, and CTEC implemented that government decision. I remember these events well, since as an academic at the time, I went on strike for a half day in protest at this gross level of interference in the autonomy of a university.

The second example concerns academic staffing. Two cases are worth quoting, the conditions for study leave for academics, and directions about the proposed reduction in teacher education enrolments.

> 6.99 In November 1978 universities and State coordinating authorities were advised by the Commission of the *Commonwealth government's* decision on study leave in universities and CAEs in the following terms: institutions would be expected to adopt from 1 January 1979 study leave policies consistent with the recommendations in the *Commission's* report on study leave in universities and CAEs and institutions which in 1978 were providing study leave at rates above those recommended were expected to move a considerable way towards the new limits during 1979 (p. 201–2).
>
> 5.1 The guidelines provided by the Commonwealth government to the Commission since its establishment in 1977 have reiterated two concerns:
>
> (a) that in formulating its recommendations, the Commission should have regard to the greater rationalisation of the use of resources; and
>
> (b) that the Commission should give specific attention to the supply of and demand for teachers and to the implications of the reduction in intakes to pre-service teacher education.
>
> 5.2 In Volumes 1 and 2 of its Report for 1979–81 Triennium the Commission reported on various developments arising from State inquiries concerned with coordination and rationalisation, and it also commented on the implications of the reductions in intakes to

preservice teacher education in universities and CAEs. In Volume 2 the Commission stated that:

> 'by the early 1980s universities and colleges should be devoting significantly fewer resources to teacher education. The Commission expects institutions and State authorities to plan for permanent reductions in the volume of resources devoted to teacher education; it would not wish institutions to develop additional teacher education courses merely as a means of maintaining enrolments. In some cases, particularly in the college sector, reductions in the numbers and size of institutions may be necessary.'

In particular, the Commission *warned* universities and CAEs about filling vacancies in teaching staff in education:

> 'universities and colleges should fill vacancies in teaching staff in education only when the filling of such a vacancy is essential to the proper provision of an existing course and then with temporary appointments; *only in the most exceptional cases should a position be filled on a permanent basis*. If institutions do not conform to this policy, they will find themselves in grave difficulties in adjusting to the reductions in funding for faculties and schools of education that must inevitably take place over the next few years.'

5.38...it is important that ...CAEs ...[do] *not replace vacancies from outside the system* ...The incidence of redundancy can be reduced by the adoption of a policy that any replacement of losses through attrition should be made from existing staff in teacher education, even if this causes temporary difficulties for one or both institutions.

(CTEC1981b, emphases added).

In both these cases the pattern is the same. A government decision accepted by CTEC and translated into central directions to institutions about the details of implementation — in the second case straying into the higher sensitive area of appointment policies. There is, of course, an alternative situation that no outsider could ever know — for these cases, and for the Deakin engineering school case. The initial advice may have come from CTEC to the government so that the government decision was an acceptance of CTEC advice. If that was indeed the case, I would contrast the present system of giving general advice which must be tabled in parliament to the danger of a system that sought government approval of advice about matters that are properly the domain of institutions.

In the next section in which are discussed the instruments of influence on institutions used in the present arrangements it will be easy to compare the level of interference in the institutional autonomy of the current structure to the above. The conclusions that can be drawn are worth anticipating ahead of that discussion. In contrast to CTEC, DEET (and especially its Higher Education Division which, unlike CTEC, is indeed an arm of government) achieves its influence on higher education institutions at the broad policy level using carrots rather than sticks. It interferes little in decisions about which schools or faculties should exist, which courses should be taught, or which staffing policies should obtain. The consequences, as one example will demonstrate, are not always in the public interest, and a case might be made that the NBEET/DEET structure interferes too little in the autonomy of higher education institutions.

Methods Used by DEET to Implement Commonwealth Higher Education Policy

The Higher Education Division of DEET uses several instruments to implement Commonwealth higher education policies through institutions. They include:

- Educational profiles
- The capital program
- The equity program
- National Priority (Reserve) Fund
- Research policy and research grants
- Quality in higher education.

Educational profiles

The profiles consist of two parts: the requirement that institutions provide, in a given format, information about their student load (both existing and bids for growth); and the negotiations of these profiles during a visit by DEET officers. The information provided includes the distribution — what is called 'base load' — of current and intended students over the triennium, both commencing and total, by field of study and level of course, and bids for growth in the out years of the new (rolling) triennium. The profiles 'visit' involves discussion of a range of other issues beyond the education profiles, but the present discussion is restricted to the latter only.

The importance of the rolling triennium is crucial to an understanding of the leverage that DEET has in these negotiations. In 1991, the base load plus growth has been agreed for 1991, 1992 and 1993. Up for 'grabs', if you like, was the 1994 growth. For 1994, the base load target excluding basic nursing and overseas students is 383,360 and the 1994 growth load is ≈2850. In a middle-sized institution the base — already agreed for 1991 to 1993 — would be of the order of 12,000. The average growth for 1994 for institutions is simple to calculate: 2850/35. This is about 80. These relativities are important. This average institution has a fixed load of 12,000 and is bidding for growth of the order of 80. If the institution did well, and you might cynically interpret that as acceding to DEET's policies, it could hardly get more than 200 (or a 1.7 per cent increase in load). Institutions often negotiate with DEET, for shifts in their base load, between fields of study or between levels of course. In my observation of the 1991 negotiations, those shifts were always agreed — although in some cases DEET officers provided information about the pattern of base load shifts in the state that might influence an institution's final decision. They were always larger than the sort of growth we are talking about. Some institutions change their base load without negotiation.

But what if DEET wanted to 'penalise' recalcitrant institutions? What leverage does it have? At worst the 'average' institution above would get zero new growth; it would lose a small carrot, and would receive no stick at least until 1994, since the triennium is a rolling one. And with the HEC having first given advice to the minister on funding guidelines, and than having a statutory requirement to report on the profiles process and for that report to be tabled in parliament, DEET would have to have a very strong case indeed before it could reduce an institution's base load. In fact, it has not done so to date in the punitive fashion implied above. (The relative funding model adjustment did involve changes in the base.)

There has been much talk of national priorities and of how encouraging growth in priority areas distorts the higher education system. In 1994, 54 per cent of the growth was in the declared priority areas. Even if all the movement to these areas were considered to be caused by DEET, the shift involves one third of one per cent of the total load — hardly a distorting factor.

The shifts made by institutions in their base loads can be much more distorting. Figure 2 shows a short time series in commencing enrolments by age group. The relative increase in the older age groups is much more dramatic when viewed as change in terms of the previous year. In 1991, the year in which school leaver unmet demand reached its highest peak to that time (certain to be exceeded in 1992), institutions collectively and dramatically reduced the proportion of the growth places over the previous year that were filled by young people. (I need to balance this statement with the further data that the transition rate from school to higher education remained constant). A greater proportion of the new places went to postgraduate commencers. I need to remind you that DEET does not tell institutions how they should allocate their growth load: that would be an interference in their autonomy (DEET does ask institutions to provide information on the distribution of load across fields of study, and how an institution proposes to distribute growth across fields of study and levels. This information is needed because of differential funding across fields of study and level). Yet if institutions collectively can turn their back on school leavers in their year of highest need by following their own ambitions to become more graduate student-oriented, then we should be critical of DEET's hands-off approach.

No discussion of the educational profiles can leave out the matter of the relative funding model (RFM). For various historical reasons which are not just associated with CTEC, the level of funding of higher education places in Australia had become inequitable. Once the new structure was in place, funding principles had to be transparent — a situation that was certain to expose inequities. Several solutions were possible, but all of them had to address the fact that some institutions were funded at higher levels than others for students in the same courses. The RFM was based on a solution that aimed to more or less equalise, except for research performance, the current funding (with some shifting of resources between institutions) and then fund future places at levels that were public and defensible. Whether or not we agree that the RFM achieved its goal of equitable equalisation, growth is now funded according to field of study and level of course and at levels significantly above the average. In 1994 the average funding level of the base is around $10,000 per EFTSU. New growth for 1994 is to be funded at above $14,000 per EFTSU.

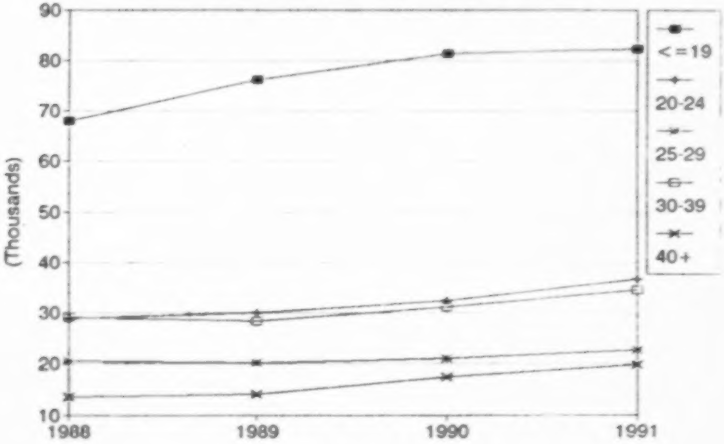


FIGURE 2 STUDENTS COMMENCING IN HIGHER EDUCATION BY AGE GROUP

Again we can argue about whether those levels are adequate with respect to real full costs, but they are a far cry from some of the marginal cost deals that occurred in the past. As noted earlier, with the HEC providing advice on funding principles acting as 'watchdog' on the operation, and remaining independent of the administration, it is hard to see a return to those bad old days.

The capital program

The capital program under the current structure has been based on applications. One should note, however, its size. After a long neglect of capital expenditure the amount is finally close to a level that could both maintain the capital stock and provide a component for accommodating growth. (In 1994 at $275 million in 1990 dollars.) During the 1991 profiles visits, DEET raised with institutions the idea of 'rolling' the capital into the annual grant to institutions based on some formula, rather than on applications. Most institutions were attracted to the idea, and consultations are continuing. In the context of this paper, two factors are worth noting. First DEET is initiating a move of giving less influence to DEET and more autonomy to institutions on capital, a policy direction I have observed more than once in my time at the HEC and one which is the reverse of the system perception of DEET. The second feature is one of the objections to the 'rolling in' of the capital; not an opposition in principle but a concern that the level of run down of the current capital stock is such that a major renovation program would need to occur first. Yet a run down of stock does not occur quickly. The long period in which the stock did run down (if we accept the argument that it has) was while the system was under the policy advice of the independent CTEC structure. The build-up of resources for capital in the current era is in marked contrast. Cause is difficult to ascribe, but then so is blame; yet there are plenty of critics ready to blame the present structure (especially DEET) for the state of the building stock in higher education.

The equity program

Equity is one of the government's policies for Australian higher education. It seeks to increase participation in higher education by certain identified groups who are under-represented. There actually are two programs, the Aboriginal and Torres Strait Islander program and the general equity program.

The approach undertaken to the latter has been to request institutions to produce an equity plan following certain guidelines and to report on the achievements of the institution with respect to that plan. The mechanism used to encourage institutions to implement this approach has been a financial carrot. In 1991 the allocation of this financial carrot was based on the institution's plan and its achievement against that plan. Based on those criteria, institutions were 'rewarded' with sums of approximately $150,000, $100,000, or nothing. I would have seen this as a fairly gentle process for the implementation of a national policy. An institution produces its own equity plan, is free to set targets for whatever groups it sees as important to it and devises whatever programs it wishes to attract those groups. Further, the cost of opting out, of refusing to participate, and so turning down a carrot of $150,000 maximum is hardly a major disincentive. I was surprised, therefore, to see Professor Fay Gale, the Vice-Chancellor of the University of Western Australia, spend one of three Boyer lectures attacking the program. Several quotes show a misunderstanding of the program.

> Equity is not uniformity. Equity is about equal opportunity. But in this new guise — really uniformity — all universities (and all institutions of higher education are now universities) must have the *same equity program* — must take in a proportion of 'this group' or 'that group' and must follow the same kinds of strategies to do so. This is uniformity. This is not equal opportunity (Gale & Lowe 1991, 18).
>
> I am trying to say that 'equal opportunity' is not the same as equality. There is a real danger that the present thrusts on equity lead ultimately to a common approach without necessarily redressing the real structural discrimination faced by so many different groups in Australian society. Australian universities do not require the kind of uniformity that underpins many of the centrally driven equity programs. Because of the enormous diversity in the Australian people, it is differences in educational opportunity we need, not similarity (Gale & Lowe 1991, 26).
>
> The reality, however, is that this [equal opportunity in education] is not achieved by central planning from Canberra making decisions about equity intake. There are major social changes that are not achieved by dominance or direction, which is in fact counterproductive (Gale & Lowe 1991, 28. Emphasis added).

Nobody at DEET would apologise for the success of the equity program in increasing participation by under-represented groups and in that they would be supported by the Equity Working Party of the HEC. I return to my first premise, that an elected government has the right to implement its policies. In the case of its equity policies, it is hard to imagine an approach that is less intrusive of institutional autonomy and more likely to produce diversity rather than centralist uniformity. I am amazed by Professor Gale's attack!

National Priority (Reserve) Fund

The Reserve Fund has been one of the contentious issues in the current relationship between the Commonwealth and the institutions. It represents one per cent of recurrent funds, and has been seen by institutions as 'their' money being redistributed according to Commonwealth priorities. Some would dispute whether it is, in fact, another clawback of one per cent since with the base growing it is hard to identify the reserve funds as coming 'off the top'. But I am happy to concede that it was or is 'off the top'. It exists because of the rolling triennium. It provides funds for the Commonwealth to kick-start new policy initiatives immediately rather than having to wait for the out year of the triennium. A good example is the 'quality' initiative in 1991 (of $70 million) — the minister won new funds for the out year of the triennium (1994). But what is to happen in the meantime — does everyone fold their arms until 1994 comes along? The Reserve Fund allows institutions who want to start up in 1992 an opportunity to seek funds from the Reserve Fund to do so. I think it is a price for the benefits of a rolling triennium.

Research policy and research grants

The ARC, unlike the other councils, advises the minister directly on the allocation of the specific research programs as well as providing policy advice.

The ARC has five main programs — the grants program, the centres program, research infrastructure, fellowships and postgraduate scholarships. The most contentious issues surrounding the ARC program appear to be clawback, priorities and bureaucratic interference. The redirection of operating grants to the ARC (commonly known as the 'clawback') reached its plateau of $78.6 million in 1992. These resources are all allocated back to higher education institutions on a competitive basis. As a result some institutions do indeed get less, but there is considerable justification for a system that allocates research funds competitively. Additional resources in 1992 of $51.6 million for research infrastructure, $25.4 million increases in postgraduate awards (rising to 33.5 million in 1994) and $3.2 million new funds for the 1991–92 budget (rising to 16.8 million in 1994) represent substantial offsets to the small losses of ARC funds experienced by some institutions in the competitive redirection.

On the matter of priorities in research areas, the many calls against centralised direction of research direction need to be tempered by the amounts. In 1992, sixteen per cent of research funds went to priority areas (the ARC policy is that the percentage should be no more than 20 per cent). Given that these areas would have received some research funds even if they had not been priority areas, some of the more extreme statements one hears about Canberra 'directing' research seem somewhat hysterical.

With regard to bureaucratic interference, it may be useful to reemphasise the ARC's membership — the chair (a former senior academic), six members drawn from the higher education research community, four representatives for industry, and the chief executive officer of the CSIRO; and to note that all of the panels consist of researchers, not bureaucrats.

Quality in higher education

The latest Commonwealth policy in higher education — quality — enunciated in Minister Baldwin's policy statement of late 1991, provides an opportunity to compare the Australian approach with the approach taken by governments of other countries with similar policy objectives. Along with Sweden, the Australian approach is the most 'hands off' of all OECD countries. The approach here has been to say that the management of quality is properly the responsibility of institutions, that the Commonwealth will provide an additional $70 million (in 1990 prices) on a competitive basis to assist and reward institutions who want to develop such systems, and any external body that might be established to have the responsibility of assuring other stake-holders that appropriate processes to ensure quality are indeed in place would be independent of the government and preferably 'owned' by the higher education system. Implicit in this approach is that the criteria for quality will be set within institutions, although the HEC, in consultation with the system, is aiming to establish a broad framework within which quality criteria might be developed, so that those who pay for the system can at least understand what an institution hopes to achieve and how it goes about doing it. This approach contrasts starkly with funding based on performance indicators used in some US state systems, and various inspectoral bodies (the UK and France for example — although these two vary from each other in so far as the UK Academic Audit Unit is controlled by the Committee of Vice-Chancellors and Principals while in France it is a government agency).

Conclusions Concerning Commonwealth Influence on Higher Education

The intention in undertaking this analysis of the current structure, and some comparisons to the previous structure, has been twofold. One has been to provide a better understanding of the structure and to counter some of the inaccurate assertions that have been so prevalent. The other relates to one of the objectives of the conference 'to undertake a broad analysis of the adequacy and desirability of existing structures and processes, and to explore possible new directions of development'.

I came to NBEET with some of the common preconceptions from the system. For example, I was sceptical of the value of mass mergers and, while I understood that they could not be forced by Canberra (for state universities at least), I assumed that there was some huge fiscal lever. As

I have come to understand the system I have failed to uncover that lever. I suspect that the expansionary ambitions of some universities, and the flexibility that that provided — through shifts in the base load, for example — was equally important. However that is a history that I have not observed. What I have seen is a structure in which the DEET component is very sensitive to institutional autonomy but which at the same time has found ways to implement government policy using quite small fiscal levers; and in which the NBEET component provides a role in advice and monitoring that is much more independent in policy terms of government and DEET than I had expected.

In considering the second intention, the evidence shows the present structure to be much less interfering in the internal management of institutions than CTEC, while retaining a significant level of independence from the government. I think a shift back to something like CTEC as a structure would be a backward step. My conversations with senior officials of universities during the profiles visits in 1991 told me that many of them, too, were wary of a return to that aspect of the 'golden past'.

Of all the safeguards for independence and institutional autonomy, I consider the rolling triennium as the most important. The rolling triennium provides a two-year buffer against short term reactive approach, and provides a long term planning perspective both to the Commonwealth and to institutions. Of all of the elements of the present system a rolling triennium is the feature that is the most important to preserve.

PROFESSIONAL BODIES

I would like to conclude this paper by looking briefly at the influence of professional bodies. There has been quite a revolution occurring in Australia among the professions: the development of competency based standards for entry to the professions. These competency standards are based on an analysis of the needs of work in the professions. They come with a quasi-legal status through award restructuring, and with the establishment by the states and the Commonwealth of bodies such as VEETAC (Vocational Education, Employment and Training Advisory Committee) and NTB (National Training Board). The latter has specified eight levels at which competency standards are to be developed for each occupation or industry — levels 7 and 8 refer to professional level occupations that require a bachelor's or higher degree. I understand that 75 per cent of registered professional bodies in Australia are now in the process of developing competency standards. The professions include accountancy, agricultural sciences, architecture, chiropractic/osteopathy, dentistry, dietetics, engineering, nursing, occupational therapy, optometry, pharmacy, physiotherapy, podiatry, psychology, radiography/nuclear medicine, social/welfare work, speech therapy, and veterinary sciences.

I think that these activities have potential to have a significant impact on curriculum, modes of teaching, assessment, entry provisions, even length of course in professional faculties in universities. The definition of standards from the position of work requirements has potential to crowd the curriculum with such objectives to the exclusion or restriction of other objectives that universities hold as important — independent thinking development of the person as a member of a society to give just two examples. I do not know to what extent the universities have been involved in this process — apart from the inclusion of individual academics on the competency standards committees. Nor have I seen (and I have been watching this 'revolution' closely) a detailed analysis of the potential for competency based standards to make an impact on institutional autonomy. The Higher Education Council has alerted the system to these possibilities and has commented on this potential threat to institutional autonomy in a forthcoming report. The more detailed analysis will need to come from the professional faculties.

I remind you of what I said at the beginning — I believe that professional bodies have a right of influence over institutional autonomy when the university offers a course that educates someone for that profession. However, the issue is at what level of detail.

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CHANGING COMMONWEALTH–STATE ROLES IN HIGHER EDUCATION

A COMMENT ON DEVELOPMENTS IN VICTORIA 1988–1991

Ron Cullen

INTRODUCTION

This chapter discusses changing Commonwealth and state roles in higher education and examines the extent to which the joint planning process has enabled selected state priorities to be addressed. The implications of the latest agreement between the state and the Commonwealth are then discussed.

The perspectives presented are my own; they are not necessarily the views of governments or of the Victorian Post Secondary Education Commission. I trust this material and the evidence and analyses it incorporates will stimulate others to consider these changing roles in more depth than has so far been the case. The perspectives are those of one who has been involved in the detail of the change process and who, in a sense, has been employed for the last few years to think through these issues, and to try to find some middle ground between the policies of two governments and the imperatives that drive individual higher education institutions.

THE VICTORIAN EXPERIENCE WITH HIGHER EDUCATION REFORMS

Victoria came to the reforms of 1988 with a commitment to make them effective and to ensure that they addressed state as well as national needs. The state was funding 6–10 per cent of recurrent expenditure in higher education. The information seeking and course approval powers of the Victorian Post Secondary Education Commission applied to both colleges and universities in Victoria. The Commission and its staff were already managing major state-funded projects as well as examining priorities on a state-wide and sector-wide basis. In 1988, the limits to government influence in higher education were not statutory or intergovernmental: they were the lack of funded growth within the higher education system in Australia at that time.

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The Commission's 1988 diagnosis of state strategic priorities, summarised in Attachment A, was produced to focus the developing amalgamation debate on educational outcomes and state priorities. No comparable approach to the strategic coordination of educational objectives, structures and resources appears to have occurred at either the national or other state levels at this critical time in the development of the change process. The fact that so many of these 1988 Victorian priorities have been addressed by institutions and governments as part of the planning processes illustrates the usefulness of this sort of strategic planning; planning which ministers have now agreed to formalise between each state and the Commonwealth.

Higher education institutions have played a pivotal role in developing and implementing priorities and strategies at state level. The 1988 state priorities, the experience with state-funded places, the protracted amalgamation debate and its associated educational and resourcing negotiations, all served to focus the attention of institutions on priorities and needs and on the opportunities each had to address them.

At the time there were compelling arguments to ensure that joint planning was more than a palliative to soothe Commonwealth–state sensitivities. If state and Commonwealth governments wanted universities to be coordinated and accountable, they first needed to demonstrate a willingness to put their own approaches to higher education planning in order. If a state government wished to fund part of higher education and obtain value from its expenditure, it would need to create leverage for that expenditure with Commonwealth funding by providing one-off funding on condition that ongoing resourcing be provided from base Commonwealth funding.

The effectiveness of Victorian attempts to make joint planning work can be explored by examining developments over the last three years, and by comparing priorities for growth in Victoria with priorities which emerged in other state where direct state-wide planning was less focused. This chapter presents such an analysis which suggests that there has been a substantial response to Victorian priorities over the period 1988–1991.

Before moving to examine six specific cases where the state sought to influence planning outcomes, the system of powers and functions within which this occurred are briefly examined. The respective roles of state and Commonwealth are defined in at least four ways: by practice, through Commonwealth and state legislation, in intergovernmental agreements, and by the divisions of powers defined in the Australian Constitution.

CHANGING LEGISLATIVE FRAMEWORKS AND INTERGOVERNMENTAL AGREEMENTS

There are those who see the debate on Commonwealth–state roles in higher education as a constitutional issue and who interpret recent developments as an agreement by the state to relinquish some of their powers under section 96 of the Constitution. It seems to me that the new arrangements exhibit some sensitivity for the provisions of the Constitution and define relative roles in a constructive manner. Attachment B summarises the major legislative roles and intergovernmental agreements which have set the context within which planning has occurred since 1988.

The states' role in relation to the allocation of Commonwealth funds to higher education was identified in the State Grants Act 1974. The Higher Education Funding Act 1988 not only restated the role of the state, but also extended the role to cover allocation from other funding sources, e.g. responsibilities with respect to the Higher Education Contribution Scheme. One of the significant features of the Higher Education Funding Act is the incorporation of profiles agreed between individual institutions and the Commonwealth as a basis for Commonwealth funding. Certification of institutional compliance with profiles negotiated with the Commonwealth is to be undertaken by the state, acting as an agent for the Commonwealth.

In Victoria, the Post-Secondary Education Act 1978, and the legislation establishing each of the universities, define their responsibilities as statutory bodies. Major statutory responsibilities which apply to all higher education institutions in Victoria include responsibility to: maintain the standard of degrees, provide information requested by the Victorian Post-Secondary Education Commission in order to discharge its various statutory responsibilities, consult with the Commission on submissions made to the Commonwealth, apply Commonwealth and state government funding only to programs approved by the Victorian Post-Secondary Education Commission; operate within governance structures defined by legislation, and meet financial reporting provisions. The Commission also has a responsibility to conduct research into higher education matters and provide advice to both state and Commonwealth governments on the effectiveness of the higher education system.

The state and Commonwealth legislated powers are essentially complementary and both clearly apply to the operation of higher education institutions in Victoria. Because of the need to meet the requirements from a variety of sources, it is important that the use of powers be coordinated to minimise any adverse impact on institutions.

Recently the agreement drafted by the Australian Education Council (AEC) was accepted by governments. This streamlines funding, introduces state strategic plans, and commits governments to seek to coordinate various state and Commonwealth powers as they make an impact on higher education institutions. While we had the usual trauma at the bureaucratic level editing out everyone's prejudices or alternatively, if you take a cynical view of such working groups, incorporating as many prejudices as possible, there was solid support for the final document except for a debate between the governments about who should transmit the cheques to institutions.

While there are many ideas which might assist institutions and higher education institutions to address state and national needs more effectively, the idea that the state role is enriched by continuing to be a postperson for cheques from the Commonwealth is not one of them.

This payment debate tended to obscure the constructive nature of the rest of the document. The statement recognises state powers to regulate the operation of universities and to define the scope of the programs they are empowered to offer using government funds. The need for a single profile planning process driven by institutions and coordinated by the Commonwealth is also accepted, along with the state role in monitoring implementation and developing state strategic priorities and plans.

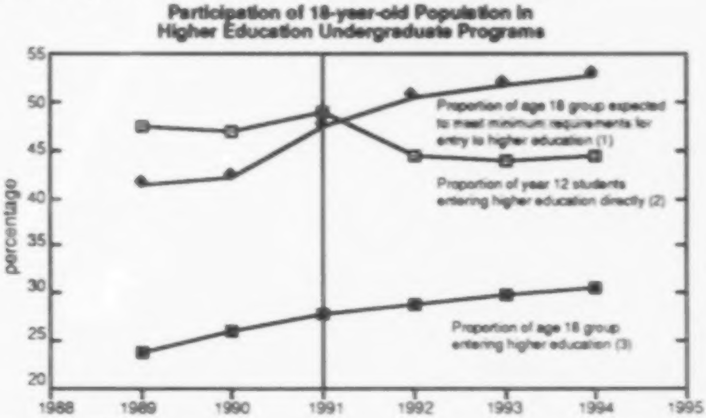
IMPLEMENTATION OF SIX MAJOR STATE PRIORITIES 1988–1991

In evaluating the state role and the ways in which state and Commonwealth priorities interacted, this chapter examines a number of cases; it discusses differences in approach between the state and the Commonwealth where they seem relevant, and attempts to assess the outcomes where there are hard data for analysis.

Case 1: Access to Higher Education for School Leavers in Victoria

In 1986, the state government commenced funding higher education with the objective of providing places for 50 per cent of all Year 12 students.

Exhibit 1. School Leaver Participation in Higher Education



Source: VPSEC forecasts

		Victoria	**Australia – Victoria**
Increase in undergraduate commencements in 1991 over 1988		7,788	23,712
Increase in school leaver commencements in 1991 over 1988		5,646	11,794
Proportion of above increase in undergraduate commencements allocated to school leavers		72.5%	49.7%
Proportion of total u/g commencements allocated to school leavers	1988	55.8%	54.1%
	1991	62.4%	53.2%
Proportion of age 18 age group moving to higher education	1988	23.4%	18.0%
	1991	29.7%	21.9%

Sources: DEET, *Selected Higher Education Statistics* 1988, 1991
VPSEC, *Higher Education in Victoria* 1988, 1991

Notes:

1. The figures have been adjusted to exclude fee-paying overseas students and the impact of short term commencements funded by Victoria in 1988 and Queensland in 1991. In both cases these commencements were designed to bring forward Commonwealth growth. School leavers include all students who enter higher education in either the first or second year following completion of their VCE.
2. If the adjustments are excluded, the proportion of growth allocated to school leavers alters slightly to 69.7% for Victoria and 52.7% in the rest of Australia.
3. If the rest of Australia had allocated the same proportion of growth to school leavers as in Victoria an additional 5,397 school leaver places would have been available nationally. If the rest of Australia had allocated the same proportion of all undergraduate commencements to school leavers as Victoria an additional 14,108 school leaver places would have been available nationally.
4. On the other hand, if Victoria had allocated the same proportion of total commencements to school leavers as the rest of Australia school leaver places would have reduced by 3,850. However, an additional 3,850 places would have been available for adults in undergraduate programs in Victoria.

A policy of maintaining the transfer rate from school at 50 per cent was continued as a major priority as school retention increased. The program was continued until 1990 to enable institutions in Victoria to bring forward new Commonwealth growth. In addition, the program agreed school leaver commencement targets with each higher education institution.

Exhibit 1 analyses what was achieved. It shows that 72.5 per cent of all the growth in undergraduate commencements in Victoria over the period 1988–1991 was allocated by institutions to school leavers, compared with 49.7 per cent for the rest of Australia. Two points might be made about this analysis:

- Exhibit 1 shows the successful implementation of the policy of 50 per cent school leaver participation, which was a state priority. The Commonwealth opposed targeting of school leaver access on the grounds that overall priorities needed to be negotiated as part of the profile planning process. Nevertheless, the Commonwealth and the state and the institutions were able to work through the joint planning process to enable this major state priority to be achieved.

- Much of the debate about access to higher education ignores the fact that, in the rest of Australia, school leavers comprise fewer than 50 per cent of all entrants to undergraduate programs. If institutions in the rest of Australia had been persuaded to adopt Victorian priorities, an additional 14,108 school leavers would have gained places in higher education in 1991. If other state had allocated the same proportion of total undergraduate growth to school leavers, as did Victorian institutions, an additional 5,397 places would have been offered in 1991. Conversely, if Victoria had reduced places for school leavers in 1991 to the average for the rest of Australia, an additional 3,850 places would have been available for adults seeking to enter higher education. These differences between Victoria and other state also have implications for future planning.

Case 2: Funding for Higher Degree Teaching and Research Infrastructure

Victoria in 1988 had the strongest advanced education sector in Australia. The major Institutes of Technology were well poised to exploit the abolition of the restraints which had been imposed upon them by the binary system. The state had already funded industry-sponsored Ph.D. programs. RMIT, which had been refused university status by successive governments over 30 years, was the second or third choice for most students in Victoria.

The Victorian government took a very strong policy position on the need for additional Commonwealth resources to support any changes resulting in university status. The state argued for a threshold level of research funding and performance before institutions were established as fully autonomous universities. The state also argued for the development of a Relative Funding Model to ensure a more equitable funding base for all institutions in the future. On the other hand, the Commonwealth saw the change of status as a structural issue with additional research and higher degree funding to be allocated in the future on the basis of performance.

The Commission made major inputs to the identification of non-teaching funding in the universities, to the development of the Relative Funding Model, and to ensuring that the equalisation adjustments, required to bring Victorian institutions into the funding range defined by the model, were incorporated in agreed Commonwealth plans.

The Commission now monitors forward plans in terms of both the funding model and a Higher Degree and Research Index. This Index is the proportion of funding accounted for by higher degree teaching, plus the share of the research quantum defined in the Commonwealth model. Selected index values are included as Exhibit 2. The Index was 15.8 per cent in 1988, has grown to 18 per cent in 1991, and is projected to grow beyond 20 per cent over the longer term.

A minimum planning threshold for the Index of 15 per cent was set for any institution seeking university status in Victoria. In a number of cases, the transition to university status was approached on the basis of assessed capacity to meet the threshold over a triennium. The effect was to focus attention on both higher degree profiles and relative performance in obtaining competitive research awards in each institution. It is important to see this threshold as a minimum level of activity to provide a balanced academic program. It is not an attempt to impose a uniform level across all institutions. Within this framework, the major research universities could be expected to develop an Index approaching the 30 per cent they had achieved prior to amalgamations.

As part of the Commission's exploration of this matter, the impact of higher degree enrolments on capacity to meet future higher education staffing needs was examined. The shortfall identified has driven much of the debate about postgraduate places at state and national levels since. There is now a national priority to expand higher degree places. The Commonwealth responded to recommendations from Victoria that institutions be allowed to substitute higher degree for undergraduate load on the basis of Relative Funding Model relativities. Institutions have negotiated profiles which include strong growth in higher degree programs. Targets for shares of research funding were discussed with institutions which appeared to be underachieving.

Exhibit 2. Comparison of State and National Trends for Research and Postgraduate Funding

		Victoria	**Rest of Australia**
Proportion of growth (1991–1988) allocated to postgraduate		27.3%	20.2%
Proportion of ARC grants gained by Victorian Institutions	1989	19.5%	80.5%
	1992	25.5%	74.5%
Estimated Competitive Research Index	1988	24.9%	75.1%
	1992	26.5%	73.5%
Higher degree and research index	1988	15.8%	16.8%
	1992	18.0%	17.7%

Sources: *ARC Awards 1989, Grants and Fellowships Awarded;*
Higher Education Funding for the 1992–94 Triennium DEET;
DEET, unpublished papers;
Agreed Teaching Profiles for the 1991–93 Triennium.

Notes: Figures exclude fee-paying overseas students. 1992 forecasts are based on agreed plans and amended research grants for 1992.

Exhibit 2 summarises the changes in Victoria compared with the rest of Australia. Institutions in Victoria appear to have allocated proportionately more available growth to higher degree students. Given that, at the same time, institutions have also targeted undergraduate places to school leavers, the reduced access for adults seeking to enter undergraduate programs in Victoria is predictable. Victorian institutions have won a significant increase in ARC grants and Victoria appears to have retained its share of other grants.

Victoria, which embraced the binary system for so long, appears to have made good progress in ensuring that its newer universities obtain the resources to compete and develop higher degree and research activities. Two points can be drawn from this analysis.

- The state priority to strengthen higher degree and research funding appears to have been achieved.
- The development and use of the Higher Degree and Research Index as a comparative and planning indicator has provided institutions with a framework for self evaluation and has encouraged forward planning of higher degree and research activities.

Case 3: Access in Under-represented Areas of the State

New South Wales responded to the 1988 proposed structural changes with a very clear priority for development in the west of Sydney and finalised a proposal through a joint Commonwealth–state working party.

The Commonwealth then sought a similar development in the west of Melbourne. A joint Commonwealth–state working party proposed an agreed objective to lift participation rates in the west of Melbourne to the state average by 1996. The first detailed monitoring of participation rates in Victoria was introduced as part of this project.

The Commonwealth and state then agreed to massive funding for growth and capital and, after some interesting negotiations, increased the funding rates to enable the new Victoria University of Technology to develop a comprehensive university profile. The subsequent withdrawal of RMIT, which may best be described as a case of premarital jitters by the institutions involved, did not change the principle or the commitment to resourcing the new university and university access in the west of Melbourne.

Interestingly, RMIT, having baulked at moving west, has now elected to move north, a preference it previously looked at closely. The north is another outer metropolitan region in need of growth, particularly in technology-related programs.

The analysis of participation in all areas of the state enabled the state and the Commonwealth to agree on priorities to resource new campuses and growth in each of the outer metropolitan growth areas.

Key initiatives targeted as part of this strategy are summarised below.

- Growth was targeted to campuses servicing particular regions and in fields of study which appeared to be proportionately under-represented in those regions.
- Major growth of programs and facilities in the west of Melbourne is occurring as part of the new Victoria University of Technology.
- Law and engineering programs were approved and resourced for Deakin University at Geelong.
- Health science at La Trobe University and engineering developments at La Trobe and RMIT/Phillip Institute at Bundoora were introduced and resourced in order to serve needs in the Northern Metropolitan growth corridor.
- New campuses, linked to Swinburne Institute, are being developed to provide programs in the outer east in conjunction with the Outer Eastern College of TAFE.
- A major development in the South Eastern growth corridor, with a new campus of Monash University to be established in conjunction with the Dandenong College of TAFE to address the growing needs of those who live and work in that growth corridor, is a key 1994 state priority.

Exhibit 3. Targeting of Growth to Improve Access to Higher Education in the Regional and Outer Metropolitan Areas of Victoria 1988–1991

Targeting of state growth in commencing students	Total 1988 %	Share of growth 1988–1991 %
Non capital city	**19.9**	**26.6**
Fringe metropolitan regions	**7.5**	**14.3**
Other metropolitan	**72.6**	**59.1**
	Victoria	**Rest of Australia**
Proportion of growth (1991–1988) allocated to postgraduate	27.3%	20.2%

Sources: DEET, *Selected Higher Education Statistics* 1988 and 1991
VPSEC, *Patterns of Enrolments in Higher Education 1988–1990*
VPSEC, *Analysis of 1991 Enrolments by Statistical Areas*

Notes: The share of growth measures is the proportion of growth in commencements in higher education by students with home addresses in the area concerned. The proportion of growth allocated to non-capital city campuses is based on growth in enrolments at local campuses rather than on the home addresses of the students involved.

Structural links between country campuses and city universities, and the allocation of 31 per cent of state growth to non-metropolitan campuses have led to a rise in participation rates in country Victoria. New campuses have been developed in conjunction with TAFE at Wodonga and Mildura.

Exhibit 3 summarises increases in participation in under-represented areas. It also compares the proportion of total new growth allocated to non-capital city campuses in Victoria and the rest of Australia, and suggests that the country has received a larger share of growth in Victoria than elsewhere. Two points can be drawn from this experience:

- The strategies of introducing new programs and campuses targeted to the needs of the outer metropolitan areas and of ensuring that the major universities assume primary responsibility for particular developments appears to be achieving results in Victoria.
- Improving participation is an area where there has been strong cooperation at the joint planning level. This was important, since the priorities required have conflicted, at times, with the understandable pressures from established institutions to allocate growth and capital to existing programs and campuses.

Case 4: Program Developments and State Profile

The Commonwealth and Victoria have developed profile priorities, and the Commonwealth has sought to implement these through targeting profile negotiations with individual institutions.

The strategies employed at state level to influence this targeting included input to Commonwealth priorities, the targeting of state-funded places, monitoring the delivery of agreed growth in key areas, and a variety of micro-reform projects undertaken in collaboration with institutions.

The introduction of new engineering programs at Deakin, La Trobe and Phillip was the subject of detailed consultation and agreements about credits and articulation with both TAFE programs and other established engineering programs. The Commission used its course approval powers to implement the recommendations of an expert working group set up to advise on the matter. This group included representatives of the profession and the major established engineering schools. A summary of the major credit arrangements included in the approvals is included in Attachment C. There was close consultation between state and Commonwealth governments to coordinate these developments. The inclusion of these programs in Commonwealth funding profiles could not occur until the approval process was complete. On the other hand, it would have been impossible to approve new engineering programs unless resources were to be made available.

A comparison of the allocation of growth in Victoria with the rest of Australia is presented in Exhibit 4. Compared with the rest of Australia, Victorian institutions placed 17 per cent less of their available growth in arts and education; on the other hand, business, engineering and health accounted for over 20 per cent more of growth in commencements in Victoria than was allocated by institutions to these fields of study in the rest of Australia.

Exhibit 4. Comparison of Growth in Commencements by Field of Study 1988–1991

	Proportion of Growth in Commencements		
Field of Study	**Victoria (1)**	**Australia - Victoria (2)**	**Difference (1) - (2)**
Business	30.81	18.47	12.34
Engineering	11.69	6.30	5.39
Health	18.02	14.94	3.08
Science	19.21	17.39	1.82
Vet. Science	-0.07	0.11	-0.18
Agriculture	1.48	2.81	-1.33
Law	4.06	5.68	-1.62
Architecture	0.16	2.12	-1.96
Arts	11.91	19.25	-7.34
Education	2.74	12.94	-10.20

Source: DEET, *Selected Higher Education Statistics* 1988, 1991

Comment: The adjustments for state-funded plans discussed in Exhibit 1 have not been made in this analysis.
The major differences in priority identified in the table are a 20.4 per cent greater share of growth in Victoria allocated to business, engineering and health, and 17.3 per cent lesser share of growth allocated to education and arts commencements.

The material in Exhibit 4 suggests that the targeting of growth in Victoria has reflected declared Commonwealth and state priorities more effectively than appears to have been the case elsewhere.

Case 5: Degree Entry Pathways with Major Credit

Victoria has retained major TAFE components in three of its higher education institutions, and is seeking to develop new relationships between TAFE and higher education.

To do this, micro-reforms are needed to enable students who complete selected TAFE awards to obtain three or four semesters of credit towards a degree. Detailed arrangements for engineering, as noted previously in reference to Attachment C, have been finalised. A major infrastructure project is currently being funded by the state to assist selected institutions to develop these pathways, and the state is urging the

Commonwealth to target this activity and fund it separately to encourage institutions to enrol students with major credits. Draft projections currently being discussed with institutions explore the scope for 15 per cent of all undergraduate commencements to be part of such credit pathways by the year 2001.

The state and Commonwealth formed a working party to report on expanding TAFE Higher Education pathways in Victoria. The state considers that targeting, or some form of tied funding, is needed to enable institutions to make the necessary changes and manage adjustments to existing school leaver pathways. The Commonwealth argues that such pathways should develop as part of each institution's planning priorities and that special targeting would represent more regulation and would expose central planners to pressures to resource and coordinate new growth activities. Recent Commonwealth initiatives to consider some form of special resourcing measures suggest that ways to remove the barriers to this development may yet emerge.

The TAFE pathway issue is also interesting because it requires action at both the macro and micro levels, action which is difficult to initiate at the national level. Like the new campus priority, the TAFE pathway priority and the more general credit transfer priority do not emerge easily as internal priorities of higher education institutions. It is another issue where different solutions may emerge in different state or at different rate in different state. It is likely that any pressure for national uniformity without the necessary micro-reforms will lead to national mediocrity, by minimising credit transfers and extending course lengths.

Case 6: New Structure and Changes to University Status

No discussion of Commonwealth and state roles in higher education would be complete without some consideration of the quite remarkable amalgamation process which the policies of two governments and the predilections of institutions unleashed.

Victoria delivered both the first and probably the last amalgamations of the recent round of higher education structural changes. The Commonwealth saw amalgamations as being independent of specific educational and resourcing decisions at the institutional level — the state did not. There were, of course, general priorities and plans to expand resources overall. However, the *Report of the Task Force on Amalgamations in Higher Education* (Ramsey 1989) illustrates the different approaches. This provides a useful summary of options, processes and policies at the Commonwealth level. However, the Report is also notable for its homilies on state scenarios and for the fact that it failed to address the sorts of educational objectives and resourcing issues raised by Victoria.

In the end, a joint plan covering resources and structures in Victoria was agreed by ministers; this provided the basis for a resolution of most of the outstanding issues. However, this plan only emerged after two years of difficulty, with institutions playing governments off against each other with quite remarkable degrees of ingenuity.

There is a view that the state should have legislated solutions and removed the uncertainties earlier. On the other hand, the idea of imposing amalgamations based on geography or numbers, without considering educational benefits, resources, and the cultures and priorities of the academic groups involved, exposes the system to the obvious risk that change will achieve nothing except increased administrative costs. In the case of Victoria, it was not possible to obtain any early commitments on funding shifts for changes to university status, and the state was receiving a relatively low share of the early growth in Commonwealth funding. Although most of these issues were later redressed, the Victorian reluctance to move forward without resources was both understandable and in the best interests of many of the institutions involved.

The process in Victoria required institutions to establish a need to amalgamate rather than to assemble lemming-like in some new configuration for no particular purpose. Institutions were required to develop educational objectives and to discuss priorities before finalising legislation. The educational objectives identified were then translated into resources. Almost all of the growth in capital and recurrent expenditures over the period 1988–1994 has been targeted to these developments. The Victorian process exposed academics to the assessment of their colleagues in other institutions and encouraged them to think through strengths and weaknesses realistically.

It is too early to test whether the alternative approaches adopted in Victoria will produce significantly more effective universities in the future. However, the drawn-out nature of the process and some of the curious end plays that emerged should not obscure the fact that the process was very different from that which occurred elsewhere in Australia, and that some of the elements introduced in Victoria have the capacity to produce more effective changes.

CHANGING ROLES AT STATE LEVELS

In Victoria, the state strategy for higher education coordination has been to parallel a number of Commonwealth developments. The initial objective was to strengthen involvement in detailed planning processes while restructures and major resource allocation occurred; a subsequent objective has been to move to a monitoring and research role, while ensuring that the Commonwealth planning system also moved to devolve detailed controls to institutions.

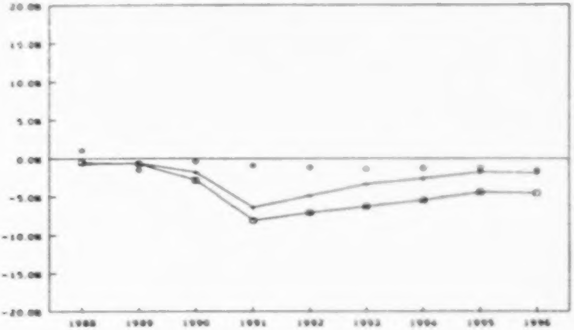
The overall objective has been to develop strong, properly-resourced institutions with relatively stable operating plans, and to monitor outcomes and address key issues, such as the gap between needs and resources and the relative priorities required across post-secondary sectors. The shifts in functions that this requires at state level can be summarised as follows:

- Ensuring that the data base and detailed planning issues are clarified, and that individual institutions are assisted to develop and monitor profiles. Major data and processing errors occurred in the first two profile rounds, and the Commonwealth has yet to move into a planning cycle with an accurate analysis of base year enrolments. Between 1988 and 1990, Commission staff worked actively with institutions in these areas to establish base data and realistic forward load projections. The Commission also used the joint planning process to assist institutions to adjust profiles to achieve a balance between commencements and load forecasts.
- Short-term strategic planning to allocate resources and capital to state priorities, and to ensure that newer universities are resourced to expand higher degree teaching and research infrastructure to enable them to compete effectively. The Higher Degree and Research Index and the Relative Funding and Relative Space Indices are derived for each year of the plan for each institution in Victoria and made available to institutions. The resource implications of these data have been negotiated with the Commonwealth, and the final equalisation package for Victoria established workable base funding and profile arrangements for most institutions in Victoria.
- Ongoing monitoring and research programs to assist institutions to compare their performance and funding with others. Extracts of *The Balance between Enrolments, Resources and Demand for Higher Education in Victoria and Patterns of Participation in Higher Education, Analysis of Participation in Higher Education in Victoria 1988–1990*, included as Exhibit 5, provide examples of these approaches. A number of projects which address program quality and relevance have also been undertaken.
- Longer-term strategic planning which would incorporate key perspectives, which are derived from the monitoring of operational planning, and which address the emerging planning problems.
- Assistance with implementation processes by obtaining the resources and other support required by particular institutions to implement agreed plans. A good example is the current attempt to resource the infrastructure needed to facilitate TAFE pathways.

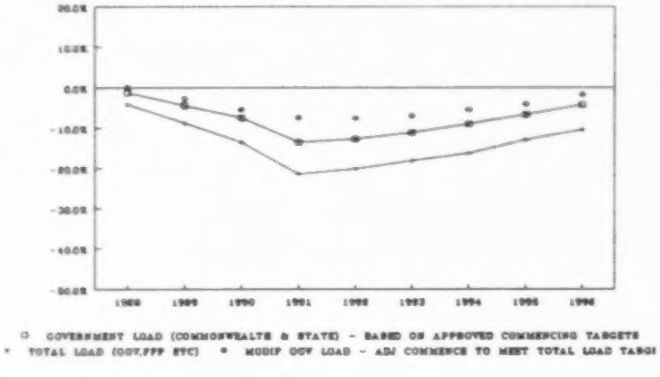
The Commission is currently discussing the option of devolving a number of its remaining powers to universities which meet fully the guidelines established in Victoria. This would include devolution of course approval powers and the profile review role while reserving the capacity to examine such decisions in cases where major problems are

EXHIBIT 5: INDICES USED TO MONITOR INSTITUTIONAL PLANS TOTAL VICTORIAN HIGHER EDUCATION INSTITUTIONS

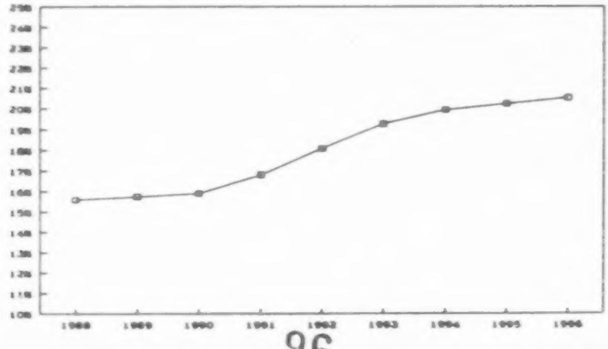
1. RELATIVE FUNDING MODEL INDEX



2. RELATIVE SPACE INDEX



3. HIGHER DEGREE RESEARCH INDEX



identified by relevant professions or communities. The Commission would retain these powers for, and use them to monitor in more detail, the development of institutions which have not yet met defined guidelines.

Not surprisingly there are various views on such a development. However, I raise the prospect because it seems a useful way to facilitate the deregulation implicit in the Commonwealth reforms while maintaining a focus on the development of newer and relatively weaker institutions.

CONCLUSIONS

The new Commonwealth–state roles introduced as part of the 1988 reforms to higher education increased rather than decreased state influence in Victoria.

The state was able to enunciate and implement a number of significant state priorities in ways that had not been possible during the preceding decade.

Compared with the rest of Australia, Victoria has targeted available growth to school leaver, postgraduate and country places. It has secured a major increase in its share of competitive research grants and postgraduate places. Victoria has strengthened its higher degree and research infrastructure to support an extension of the university system, and this has occurred more rapidly than elsewhere. The rise in its share of Australian Research Council Grants is particularly encouraging. Critics of the state's role in seeking to resource an increase in research teaching and infrastructure for newer universities should consider the results, and realise that such funding has grown less rapidly elsewhere.

The major shifts in resources within the overall state allocations required to implement these Victorian priorities appear to have been greater than those which occurred in a number of other states over the same period. However the question of whether other states increased or reduced influence would require further consideration of their respective priorities in 1988 and of the shifts in resource allocations each sought to address those priorities.

Now that operational plans have stabilised and been largely devolved to institutions in Victoria, there are major strategic problems which must be addressed by Commonwealth and state planners this year. Victoria has regularly pointed out that the growth provided by the Commonwealth would prove inadequate in both the short and long term. The Commonwealth's attempt to regulate a long-term undersupply of places in Australia has been obscured by claims that the problem is really only a short-term problem created by institutions overenrolling last year and by parochial debates about state shares of growth.

Victorians did not accept the situation in 1992 which led to many well qualified students being turned away from universities. While every school leaver clearly cannot expect to enter or benefit from entering a university, there is compelling evidence that those likely to miss out this year are not marginal students and that this is not a short-term problem which will go away. While there is a pressing need to expand funding for TAFE and to extend credit transfer at all levels of post-secondary education, these initiatives should seek to complement, rather than subsume, required developments in higher education.

Long-term roles are more difficult to discuss, because the role of both governments is clearly changing.

If it is assumed that national and state strategic planning works as a guide to the development of the sector and that the promised devolution to institutions occurs, the ongoing role of governments will be to: move away from detailed involvement in the operation of universities; monitor outcomes; develop and review long-term plans; manage the triennial planning process; ensure that weaker institutions develop their full potential; and intervene to address major difficulties which emerge or which institutions successfully export to governments.

There are many ways of delivering these functions. It seems to me that there are advantages in separating a number of them more effectively than current Commonwealth–state structures allow. If state involvement is to cease as some suggest, the Commonwealth would need to assume responsibility for many of the roles currently undertaken by the state, including those defined in the Higher Education Funding Act. To do this effectively, it would probably be necessary to move the central Commonwealth planners closer to the reality of students and institutions and the regions in which they operate. It is by no means clear that this would be more cost effective than existing arrangements.

Whatever solutions emerge, all involved need to beware of solutions which presume that key problems can be exported to central groups and to governments. Key issues, such as program relevance and quality, need to be addressed directly through self-evaluation and consultation. Such issues will need to be addressed differently and more effectively in the future.

If joint arrangements are to continue, the sorts of roles outlined in the current agreement would provide a basis for ongoing development. Monitoring, comparative analysis and research functions generally are most effective when distanced from resource allocation processes.

Inevitably, the Commonwealth–state roles which allowed governments to guide the massive reforms of the last few years will need to adapt as the system consolidates. It is likely that whatever arrangements evolve, they will entail less direct government regulation and intervention, and more institutional autonomy and accountability. It is likely that governments at both state and Commonwealth level will remain involved in the planning and monitoring process. The joint planning arrangements introduced in 1988 have made a major contribution to developing coordinated Commonwealth and state roles; they provide one viable framework for future government involvement in higher education.

This discussion of government roles should not obscure the fact that higher education occurs in universities.

The effectiveness of change ultimately rests with the universities. It will not be determined by questions of process, comfort and relative influence; it will be determined by academic performance. The real measure of change will depend on whether individual universities commit themselves to the new roles which higher education needs to develop, whether they respond to the changing needs of the 30 per cent of the population who can now be expected to enter a university; and whether our universities are once again able to respond to new and critical national and state priorities.

REFERENCE

Ramsey, G. 1989. *Report of the Task Force on Amalgamations in Higher Education*, Canberra.

ATTACHMENT A

STRATEGIC PRIORITIES FOR HIGHER EDUCATION IN VICTORIA

Excerpts from:
Options for the Development of Victorian Higher Education (1988)

The following priorities were identified by
the Victorian Post-Secondary Education Commission in
Options for the Development of Victorian Higher Education (1988)

CHANGING PRIORITIES FOR HIGHER EDUCATION

The growth of the higher education system over the last twenty years can be seen as a response to the changing knowledge base; the increased proportion of the population reaching the tertiary entry age; an increasing participation rate in tertiary education; and the movement to full degree entry as the principal entry qualification for a growing range of professions where previously diploma or other forms of special qualifications had prevailed.

The expansion in student numbers was underpinned by a strategy of diversification. The larger more established universities were contained and growth occurred through developing lower cost teaching institutions and by upgrading the various diploma courses in teacher training colleges and selected senior technical colleges.

The highest growth in enrolments was in teacher education, arts, and business studies, with growth in science and technology being at a markedly lower rate.

Four consequences of this approach are evident in the higher education system today:

- The expanded numbers have been delivered at lower real average costs. The real reduction was estimated by CTEC to be slightly less than 1% p.a. over a ten year period.

  The reduction in unit costs can be explained by the change in profile towards lower cost courses and the growing proportion of students studying in the advanced education sector, which provided a lower cost option to the university sector because it was not funded for research activities.
- There was an increase in the total resources in administering as distinct from delivering higher education. Over the period 1982–87 staff directly involved in academic programs grew some 10% compared with a growth in student numbers of 14%. Over the same period the number of staff involved in administration and other activities grew by 15%.
- Some quality control problems have emerged as the proliferation of courses and changes in the responsibility for academic programs has produced, as well as some outstanding successes, some inevitable failures.
- The role of research has been under emphasised. While within the university sector research funding has grown, worthwhile projects seem to have experienced difficulty because within institutions the available government funds seem at times to have been shared as a right rather than a responsibility. While funding of applied research by industry has grown substantially in specific areas, industry funded programs remain small by overseas standards. It is unclear whether this reflects a judgment by industry about the capacity of higher education to undertake suitable research, or simply a lack of interest by industry in supporting such work in Australia. Within institutions the route to promotion has tended to be research published internationally which often undervalues applied research for Australian industry. In addition, the denial of substantial Government funding for this type of activity to advanced education institutions, which now constitute 60% of the system in Victoria based on EFTSU numbers, has inevitably constrained the development of research capacity in institutions.

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STRATEGIC OUTCOMES

There are eleven key outcomes which build on the existing strengths of the higher education system in Victoria to meet new needs:

1. *The effectiveness of academic programs in critical areas to be strengthened by targeting growth, rationalising programs and developing structures which support the delivery of key programs.*

A major objective of structural change should be the rationalisation of existing academic programs to provide a basis for improved quality, adaptation to meet new needs, and increased throughput of students.

There is a critical mass factor in the activities of academic groups and, in rearranging structures and rationalising programs, it is important to seek to attain this, particularly in areas where student numbers are low and numbers of academic staff in a specialty are small.

While there are some difficulties in interpreting information in enrolments by program, the analysis suggests 45.3% of all the undergraduate programs offered have less than 100 students enrolled. In addition, it appears that there is considerable duplication of small programs and that there are many academic departments which are small by international standards.

A major outcome should be halving the number of these small programs over a three year period with an expansion in the average size of departments over the same period.

Another outcome from focusing on programs would be that a series of priority changes can be used to provide overall direction to the process of structural change and to focus available change resources at least in the initial period. The following program areas seem particularly relevant to issues of structural adjustment, and provide the basis for more specific outcomes:

- Engineering, science and technology
- Teacher education
- Business education
- Tourism
- Research

2. *The capacity of higher education in the science, technology and engineering areas to be expanded and the quality of programs improved by developing two major institutes of technology of world class and standing with full university status: a minimum of 10,000 students each, with at least half studying science, technology or engineering programs; and providing major centres of expertise in technology, its developments and its application in Australian industry.*

The priority to expand engineering, science and technology programs will require a strong structural focus to prevent a proliferation of new courses, new linkages with TAFE, more extensive credits and bridging programs, and new approaches to vocational training and labour market needs, and an expanded emphasis on applied research and consultancy services to industry. Over the last five years, demand for new teacher graduates has fallen while intakes into programs and the number of students in programs have only reduced marginally. Forecasts suggest that for 1988 the number of students graduating from programs will exceed employment opportunities in teaching by 700 to 900. This represents a 10% oversupply of graduates.

At the same time there is evidence of shortages of teachers in specific areas such as science and mathematics.

Clearly the level of these programs needs to be reduced and the areas of undersupply targeted for expansion. This will require a rationalisation of programs and structures. Unless this occurs there is a danger that future priorities will be driven by the need to employ existing academic staff rather than the needs of students or employers.

3. *The proliferation of business courses and the low graduation rates evident in some programs need to be addressed more effectively by rationalising existing programs around key strengths and demonstrated business needs, and by integrating such programs more effectively into other major vocational education programs such as technology, computer science and health.*

Over the last five years the number of students enrolled in business courses has grown by 13% and the number of programs has expanded by 12%.

Some of these courses appear to be meeting the needs of students and business; others require review. In a number of areas specialisations or options which appear to offer high value have not been developed in favour of more general courses which duplicate programs offered in other institutions. The potential for using business programs to support other vocational programs does not appear to have been adequately exploited.

There is also a wide variation in the completion rates of students who commence various business programs. While some are high, others appear to be less than 25% and this requires further study.

4. *The development of major new programs such as tourism to be facilitated by allocating development to a single institution and enabling such programs to grow rapidly to attain viable size.*

While the general move for institutions to compete for students is an effective allocative mechanism for many programs it is not always the most effective way to develop specialised programs or to encourage some forms of innovation.

The priority to develop some new programs rapidly to meet new needs will require a targeting of institutions and resources to ensure that this can occur.

5. *The quality, quantity and relevance of research programs and training to be strengthened by focusing resources and programs into areas of demonstrated expertise.*

The priority to improve the effectiveness of research seems likely to require not only a review of approaches to postgraduate education and training but also an improved understanding of how to enhance the value of research projects to industry and the nation.

6. *Access to quality programs for students and business in regional areas to be expanded by developing cooperative arrangements between institutions.*

While the relatively small institutions which have developed outside the metropolitan area have made a valuable contribution to meeting local needs and enabling students to complete higher education courses without travelling to Melbourne, there are limits to the types of programs that can be delivered in this way.

A major development which would complement the existing structures and enable some rationalisation of the existing courses would be an expansion of the delivery of high quality programs by major metropolitan institutions through the existing country institutions and through TAFE Institutions where appropriate. This may require a modified approach to the delivery of such programs. The Wodonga Institute of Tertiary Education is an example of this.

The single multi-campus regional university would be another structural development that may expand access to quality programs outside the metropolitan area and enhance the value of qualifications ta students.

7. Access to quality programs for students and business in the North and West of Melbourne to be improved by targeting the planning and development of programs and institutions.

While the issue of access within the metropolitan area seems less critical than in the country, there appears to be a serious imbalance in the opportunities available in the North and West compared with other parts of the metropolitan area.

In these areas, there are a number of vigorous and innovative higher education and TAFE providers. At least there is a need for planned and coordinated development on a regional basis. There is also the possibility of a structural arrangement aimed at building a larger and more powerful higher education presence in the region.

8. Closer linkages between TAFE and higher education to be instituted by coordinating program planning and facilities usage more effectively and by developing the TAFE associate diploma program as equal in quality and status to associate diploma programs conducted in higher education institutions so that they are seen as part of a broader higher education system in which student access to higher level programs is assisted by the provision of full credits for outcomes achieved.

There are two main areas where somewhat different linkages would seem to offer major potential value over the next few years:

- The first is the development of trisectoral institutions such as the proposed institutes of technology incorporating a TAFE component fully managed by the university with the TAFE and higher eduction programs closely integrated. In such an institution, the higher education programs would span each of the two sections currently defined by the binary system. Such institutions would have the capacity to provide students with ready transfer between the sectors and to develop closer links with industry training programs.
- The second is the development of more broadly based institutes of tertiary education where these are better able to meet the education and training needs of a region. The Western Institute in Melbourne is an example of this model in a metropolitan setting which is already demonstrating the strength of building such linkages within an institution committed to

> meeting regional needs. The Commonwealth discussion paper suggests that mergers between TAFE and higher education might provide an option for small country institutions that are unable to attract the resources or students to grow to the minimum size requirements envisaged for the new national system.

Both the above linkages are examples of proposals to incorporate elements of TAFE and higher education into one institutional structure. While such institutions are well placed to manage such developments there is a wider need for TAFE institutions and higher education institutions to work closely together on the development of programs and to exploit the full potential for cross credits between associate diploma studies completed in TAFE and degree studies completed in higher education.

9. The development, delivery and management of external education programs to be strengthened by allocating these programs to one major provider able to qualify for a major role in the new national system proposed by the Commonwealth.

The Commonwealth has proposed ten major providers for Australia and it is unlikely that the four current providers in Victoria — Deakin, Warrnambool, Gippsland and RMIT — would qualify.

The move to one centrally managed and coordinated program is a logical extension of the rationalisation that has occurred over recent years. It would enable clear economies of scale to be obtained and would facilitate quality control and cross credits with other courses which students may wish to pursue through full time study. Such an arrangement should be structured to enable it to draw on a network of key academic staff in various institutions to develop and deliver programs.

10. The capacity of the existing universities to be developed and utilized to provide leadership in the overall change process by removing the restraints which have been placed on the development of the two major institutions, Melbourne and Monash, and by developing the two smaller institutions, La Trobe and Deakin, into major institutions with clear program strengths and leadership roles.

A major outcome of this rationalisation of structures should be the removal of restraints which have been placed on the development of the two major universities, Melbourne and Monash, to enable them to provide leadership within the system and grow in numbers and resources on the basis of demonstrated performance.

The strongest institutions should be required to provide clear leadership for the development of the system to meet new needs. This strategy of diversifying around demonstrated strengths is an important shift over previous approaches and to succeed needs the support of the most successful institutions. The support needs to go beyond unilateral development and address how best to use the skills of these institutions to improve the higher education system and strengthen its capacity to meet national needs.

A second important outcome should be to develop the two smaller universities, Deakin and La Trobe, as major institutions able to make a central contribution to the next phase in the development of the system.

The Commonwealth paper suggests 10,000 students and demonstrated research excellence in at least three discipline areas as a prerequisite for a fully developed university.

At present the two newer universities in Victoria do not fully meet these criteria and the most effective way to resource such development would be by mergers with other institutions focused on defined priorities or initiatives. This would enable these institutions, the two other universities and the other institutions which elect to merge with them to provide leadership in specific areas of higher education.

11. Institutional structures to be rationalised to produce fewer, stronger institutions in order to optimise membership of the proposed new national system for all institutions and to improve the capacity of the higher education system to manage effectively the development and delivery of programs within a more deregulated system.

An important prerequisite for deregulation of the higher education system is development of a smaller number of self-managed institutions capable of making the major contributions required of institutions in the proposed new national system of higher education.

Currently in Victoria there are 22 institutions delivering 908 programs in higher education to some 115,000 students. Some 36% of institutions account for 70% of students.

In many respects, the binary system disadvantaged Victoria disproportionately to other States. It is important that higher education in Victoria maximise its access to the new system. The new system offers an opportunity for institutions to access funds for both growth and research on the basis of merit and it is important that the structures which develop qualify institutions lo participate fully in the new system.

Quite apart from this requirement lo participate in the new national system there are compelling reasons to examine issues of size and program rationalisation.

While reduced costs and improved utilisation of resources are important, they should not be the driving motivation for structural change. The persuasive rationale for few larger institutions is based on effectiveness issues, such as:

- Larger institutions provide an enhanced capacity to rationalise programs and develop a critical mass of academics in related specialities.
- Larger institutions provide an improved capacity to target and manage research projects, train research students and attract research funds.
- Larger institutions are well placed to develop programs that cross disciplines and sectors.
- Larger institutions are more able to negotiate and manage profile and evaluate and control their own performance.
- Larger institutions have the capacity to reallocate resources internally to facilitate priority developments.
- Larger institutions developed around the existing stronger institutions will be better able to manage their affairs and to address the need to improve the quality of some programs.

These benefits will count for little if the management structures within the enlarged institutions remain paralyzed with bureaucratic procedures and committees. A major outcome of new structures should be a strengthening of management systems to support the delivery of academic programs. This seems likely to involve deregulation within institutions. A second requirement of management reform within institutions is the need to develop improved mechanisms for involving academic staff in decisions which affect them.

ATTACHMENT B

LEGISLATIVE AND OTHER BASES FOR COMMONWEALTH STATE RELATIONSHIPS

Post-Secondary Education Act 1978

Higher Education Funding Act 1988

Higher Education a Policy Statement
by The Hon. J S Dawkins MP
Minister for Employment, Education and Training 1988

Higher Education Funding For the 1992-94 Triennium
Department of Employment, Education and Training 1991

LEGISLATIVE AND OTHER BASES FOR COMMONWEALTH STATE RELATIONSHIPS

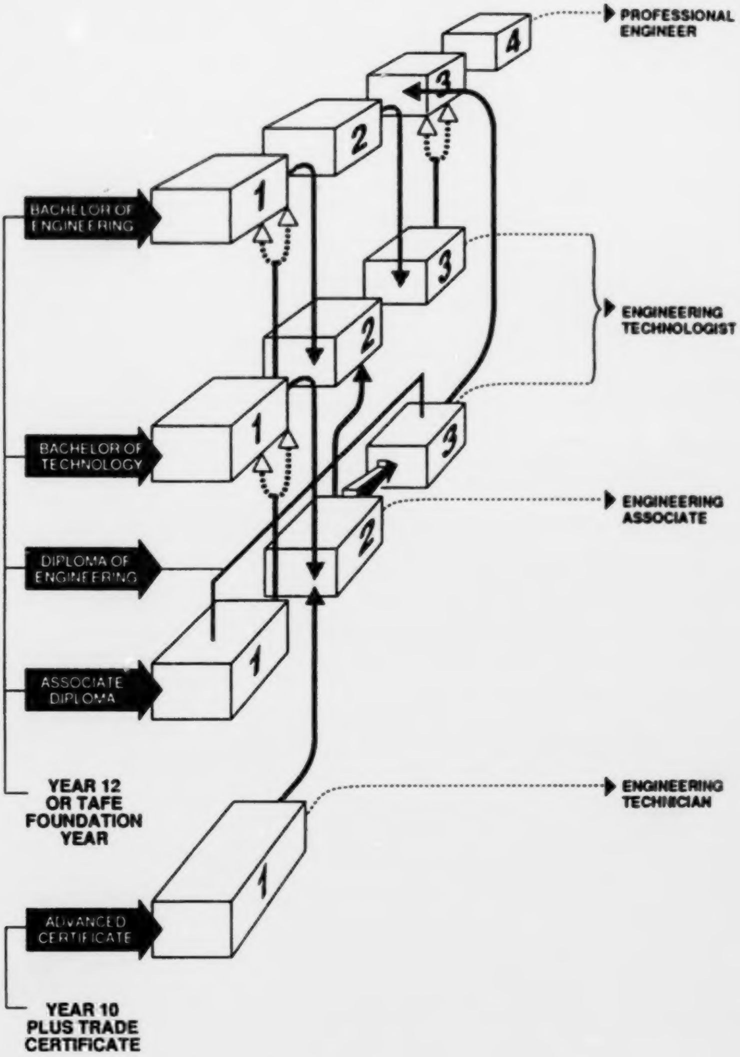
Post-Secondary Education Act 1978	**Commonwealth–State Joint Planning Committies 1988**	**Higher Education Funding Act 1988**	**Commonwealth and States in Relation to Higher Education HEC 1991**
Resources Make recommendations to State Minister and appropriate bodies under law of Commonwealth	**Resources** Advise on higher education needs of the State. Advice on distribution in State	**Resources** Granted to institutions in accordance with educational profile negotiated between institution and Federal Minister	**Resources** Allocation of funds will take into account national objectives, State strategic and operational plans
Accountability State to approve obtaining or utilising funds from State and Commonwealth for expenditure on courses. Institutions required to have audited accounts by the Auditor-General who is required to provide the State with copies of every audit. Representations to Commonwealth bodies must be advised to the State which has power to comment on them.	**Accopuntability** No role specified.	**Accountability** State to ensure that: institutional expenditure of Commonwealth funds in accordance with educational profiles; students not charged fees; accounts are audited; statistical and other information required by Minister is provided by institutions.	**Accountability** States to be responsible for overall activities of institutions and propriety of operating procedures. Mandatory that institutions report to States across all areas of their activities. Financial accountability to nationally agreed performance indicators. Accountability mechanism to Commonwealth — profile discussions.

ATTACHMENT C

TECHNICAL, TECHNOLOGY AND ENGINEERING AWARDS

Report of Advisory Panel on Engineering Education
Victorian Post-Secondary Education Commission

TECHNICAL, TECHNOLOGY AND ENGINEERING AWARDS



COMMENTS

1. The diagram Technical, Technology and Engineering Awards resulted from the deliberations of the Advisory Panel on Engineering appointed by the Victorian Post-Secondary Education Commission to recommend on course approval submissions to introduce technology and engineering courses at Deakin University, Phillip Institute and La Trobe University.
2. The diagram illustrates a number of significant principles which have been adopted by major higher education and TAFE providers of technology and engineering courses, professional and industrial bodies.
3. All Victorian higher education institutions involved in Technology and Engineering awards have implemented processes which incorporate the major principles of credit, career progression, and multiple entry points reflected in the diagram.
4. The model meets the Institution of Engineers (Australia) criteria for the Engineering Technologist category and provides a career pathway to other relevant higher education or TAFE awards with maximum credit.
5. The modification of the Metals Industry Award resulting in a 14-level wage classification linked to skills and/or training requirements is accommodated within the model to provide an articulated career path.
6. The movement of students depicted in the model can be either from or to higher education.
7. Integrated course design, a key feature of the model, enables students to transfer with major credits into other awards.
8. The Commission in 1991 approved the introduction of the following courses.

   Deakin University

   - Bachelor of Science (Technology) (for introduction in 1992)
   - Bachelor of Engineering

   La Trobe University

   - Bachelor of Engineering (Electronic, Optical, Biomedical) (currently offered)
   - Bachelor of Computer Systems Engineering (currently offered)
   - Bachelor of Technology (Computer Technology) (for introduction in 1992)

   Phillip Institute of Technology

   - Bachelor of Engineering (Manufacturing Systems)
   - Bachelor of Technology (Manufacturing)

9. Two major requirements of new programs are that they meet appropriate academic standards and that the professional recognition of the Institution of Engineers, Australia (IEAust) is achieved. Professional accreditation, however, is not completed until the courses are fully operational.

   Sponsorship arrangements were therefore negotiated between each of the additional providers and a major Victorian provider to ensure that students, from the time of enrolment, are protected from the possibility of undertaking a course not leading to professional recognition.

The sponsorship arrangements were made without prejudice to the academic autonomy and responsibility of individual institutions, and involve:

- contributions by the sponsoring institution to the design and development of designated programs in the sponsored institution;
- facilitation of accreditation and professional recognition of the programs in the sponsored institution;
- reciprocal credit arrangements between the programs offered by the sponsored and host institutions;
- membership by the sponsoring institution on academic staff selection committees and course committees (or equivalent) in the sponsored institution associated with the delivery of the sponsored program.

Specifically the following arrangements were made:
Melbourne University sponsoring La Trobe University
RMIT sponsoring Phillip Institute
VUT sponsoring Deakin University.

10. Strong developmental and course articulation links had already been established between The Northern Metropolitan College of TAFE and La Trobe University and Phillip Institute and between the Gordon Technical College and the Ballarat University College and Deakin University.

11. The introduction of the new courses was not an extension of existing provision in Engineering but justified on the basis of the contribution to national and local industrial needs.

The pressure on the manufacturing industry to become internationally competitive is substantial. The application of science knowledge to the design, development, production and marketing of products and services has implications for the education and upgrading of manufacturing technologists and engineers. The fact that Australia has been dependent on the migration of overseas trained personnel indicates that Australia has provided insufficient local opportunities to meet its needs.

The proposal by Phillip Institute to expand its academic profile by the addition of a Bachelor of Engineering (Manufacturing Systems) and a Bachelor of Technology (Manufacturing) was aimed at redressing the imbalance between educational opportunity and industrial activity in manufacturing in the north of Melbourne. Approximately half of Australia's manufacturing industry is located in Victoria. Although 40 per cent of Melbourne's manufacturing base is in the northern suburbs, there is little opportunity for prospective students and/or employees in the region to access any form of professional education in technology and engineering.

Given the concentration of manufacturing industry and the demands it creates for related educational programs in the Geelong region and the strong support from major industries in the region, Deakin University is obviously an appropriate location for developments in manufacturing technology. Deakin's status as a designated Distance Education Centre has major relevance to its proposed technology developments. The offering of components of the Bachelor of Technology by distance education will extend the catchment area of the Deakin course and make it available to students who may otherwise be unable to take up this type of study.

The specialities of Optical and Biomedical Engineering offered by La Trobe University are unique and La Trobe will concentrate on them and computer science engineering. The current shortage of electronic engineers is expected to become considerably worse because of the rapid advances in electronic technology. La Trobe University has already established a substantial reputation in Communications Engineering and the proposed developments are a logical extension of the activities of the University during the last 13 years.

Australia's contribution to medical research is being greatly enhanced by the research and development in the post-graduate area at La Trobe University. The expansion of this aspect of engineering in the undergraduate area will help meet the increasing demand for competent professionals to analyse biomedical data. Significant export markets are projected for the products of research and development in biomedical engineering which operates on a relatively low-cost basis.

Optical communication and related technologies are having a revolutionary impact on information processing. Associated with this impact is a projected billion dollar international industry which will require large numbers of skilled specialists to develop and service new technologies and export-oriented products, thus creating a need for educational programs which will equip graduates to meet the needs of expansion in a major engineering field.

12. Engineering programs have substantial setting-up, recurrent and capital resource needs. While the recurrent needs of ongoing programs may be accommodated within the funded student load within the respective institution, there is a substantial need for seeding funds for new programs. In the case of La Trobe, Deakin and Phillip Institute, confirmed commitments were given by each of the institutions that development funds had been provided. Additional funds had been obtained and sought from other sources such as the Victorian Education Foundation to support the new developments.

Allocation in the 1992–94 triennium from the Commonwealth on the following basis:

- $5.0 million in 1993 to Deakin University for a technology building;
- $1.6 million in 1992 to La Trobe University College of Northern Victoria for a teaching building;
- $7.0 million for an engineering building at La Trobe at Bundoora;
- $9 million for a centre for manufacturing engineering on the Bundoora campus of Phillip Institute;
- additional student intakes of 70 EFTSU in both 1992 and 1993 for technology developments in the north of Melbourne.

RESPONSE TO GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Grant Harman

We have had three very useful and interesting papers which provide a good basis for opening up discussion on the topic of governance and intergovernmental relations. What I want to do is:

- set the topic briefly in its historical perspective;
- comment on a few key themes in the papers; and
- say a little about the future.

The Historical Perspective

An historical perspective is usually helpful in any discussion of this kind. But it is particularly helpful on this topic as many of the themes we have heard this morning are by no means new. How many of us have heard the argument before that the Commonwealth is becoming much more dominant and interventionist? How often have we heard the pleas of Commonwealth officials that their agency is really not interventionist at all? How many times have we heard a lively defence of the work of a state coordinating agency and the claim that the states have a big future in their partnership with the Commonwealth in the governance of the higher education system?

In the fifty years since the beginning of the second world war we have passed through a series of different stages in terms of federal–state relations. What has essentially led to the various changes up to 1988 was:

- changed roles in financing, and particularly changed roles with respect to size of contributions and commitments for continuity; and
- changed roles in planning and coordinating capacity and in the use of this capacity.

Until World War II, the Commonwealth role was minimal — a little bit of assistance here and there with the states responsible for regular financing and for controlling their own institutions and their development. During the period 1940–59 the Commonwealth gave very substantial financial assistance to the universities and had some degree of influence. This assistance was essentially *ad hoc* and higher education was still the states' show — but the system was changing.

Following the tabling of the Murray Report in 1957 the AUC was established and a new relationship began. Funding was shared on a formula basis and the Commonwealth began to have a very substantial influence because of its long-term commitment to funding, its planning and coordinating capacity, and its triennial system. The states still had a major role, but it was the Commonwealth increasingly that drove the system in terms of direction. And the model that developed for universities from the mid-1960s was applied largely to CAEs too.

Between 1974 and 1987 the acquisition of full financial responsibility for funding by the Commonwealth dramatically changed the relationship. The Commonwealth was now paying the bill and felt it had to have a dominant influence since it was Commonwealth money that was being spent. Commonwealth financial regulators (Treasury or Finance) had to get into the act to set the upper limits on expenditure, which previously had been set effectively by the states. And the states claimed they had not abdicated the field of higher education. But the role of their agencies changed from planners and coordinators to advocates for their institutions. The role was to get as many Commonwealth dollars, irrespective of whether proposals made good sense!

We all know the story from 1987 onwards; the abolition of CTEC, new advisory machinery, DEET takes over administrative responsibility, profiles, a reduced role for the states. One cynical explanation for the end of the binary system and the massive sets of institutional amalgamations is that it was about power — about mechanisms to enable the Commonwealth to cut out the states and steer the system by relating directly to each institution. The argument would go that:

- the Commonwealth regarded the previous arrangements as unsatisfactory, especially for advanced education which was largely administered by state bodies;
- the Commonwealth wanted to cut out the states and relate directly to institutions; and
- eighty institutions were too many to relate to.

Now I do not say that this is an adequate total explanation, and I have never had the opportunity to raise this with the key actors of 1987–88. But there is quite a bit of evidence that would suggest it should not be dismissed out of hand as at least a contributing motive.

In reviewing the last fifty years one of the factors I find striking is the clear preference of most universities and university people for an increased Commonwealth role. There are many explanations for this:

- from the start, Australian universities were outward looking and concerned about parochialism;

- the Commonwealth seemed to have greater capacity to pay;
- the record of some states for generosity to higher education was not great;
- over this period the role of the Commonwealth was dramatically enhanced; and
- in higher education the Commonwealth coordinating agencies developed a well-earned reputation for competence.

Today's Papers

Neil Marshall's critique of the period since 1977 is a useful discussion, set in the political science literature of federal–state relations and how federal systems work best in policy formulation and implementation.

I find his central argument — that CTEC presided over intergovernmental relations which involved significant contributions from the states — interesting; that since 1987 the arrangements have become more centralised and the states have been marginalised and we now have one of the most centralised higher education systems of any western federal system — but of course many western federal systems have fairly decentralised systems.

But I would want to make some qualifications to the argument.

(a) I do not want to paint the period from 1977 under CTEC too strongly as a golden age. In some senses it was a period of stability and productive arrangements. But it was also a period of unprecedented ministerial interference in the work of CTEC and higher education institutions; it also was a period when there were plenty of complaints from institutions and the states. My golden period, if I had to look for one, is the period 1959–75 for the old universities.

(b) While I accept the general proposition that the involvement of two or more levels of government (in order to achieve the real benefits of federalism) especially in forms of the quality of policy outputs, I would make an exception for higher education. It seems to me that we have gone too far down a Commonwealth dominance model to turn back, and I can see little prospect of strong institutional or community political support to do otherwise. By all means let us try to get maximum inputs to policy and planning, but I think federalism has practically ceased to exist for higher education in Australia. It is too late to turn the clock back.

(c) I accept the implied argument about a deterioration in the quality of policy outputs. I agree we need more discussion and a wide range of inputs in the form of submissions, arguments, different perspectives. But a major need, in my view, is for better information and better analysis. We still do not have in this country the quality or the

> amount of critical arm's length policy research on higher education that you find in many western countries, especially the US, the UK and Sweden.

Further, there has been, sadly, a massive deterioration in policy analysis in recent years. We do not have the well-argued CTEC reports, and quite a bit of the work commissioned by DEET and NBEET appears to be of limited value and to have little impact.

Leo West's paper focuses on the question of influence of outside bodies on university governance. I was particularly interested in what he has said about Commonwealth influence. His basic argument is that CTEC was much more intrusive of institutional autonomy than NBEET or DEET, and that the current procedures for the allocation of resources to institutions are completely open.

I remain to be convinced about these two arguments. Perhaps it is that I sit on the other side of the fence, as chair of a University Academic Senate.

First, the argument about CTEC being intrusive. In some ways CTEC was intrusive, like most coordinating agencies. This is their nature. But Leo's argument must be questioned and his choice of examples are not really fair to CTEC. They are cases which were highly politicised and where ministers were very much involved.

I agree that NBEET is not intrusive. From where I sit I find it difficult to imagine NBEET being intrusive anywhere! From an institutional perspective, DEET appears somewhat intrusive. It sends out so many directives. It asks for responses with limited time lines. And many people don't see the resource allocation process as being transparent. Rather, they see it shrouded in mystery and ambiguity. There is, for example, no single clear document setting out how it all operates. And the profile negotiation, from an institutional perspective, does not feel like negotiation. The discussions are always pleasant and courteous, like a small child being interviewed by the school principal, or like branch officers being reviewed by high flyers from head office.

Ron Cullen has provided us with a Victorian perspective since 1988. His argument is that the changes have enhanced the role of Victoria in planning and policy determination and there is a big job for Victoria to do in the future. He documents various Victorian efforts.

I am impressed with some of the analysis that has come out of VPSEC — I think most people agree, for example, that the Victorian analysis of likely staff shortages has been most important. But once the amalgamation process is over I wonder what substantial role there will be left. Also it would be interesting to have a Commonwealth perspective on the successes claimed due to Victoria's efforts. If Ron is right in his claims, it means the Commonwealth resource allocative processes are even more political than we thought.

The Future

It is easy to knock NBEET and DEET and to criticise the current arrangements. Both of these organisations have operated in a time of rapid policy change, of major organisational disruption and of unprecedented growth in student numbers. Many aspects of the current arrangements work reasonably well, and while there is conflict on many matters there is a great deal of consensus — consensus between Commonwealth, the states and the institutions.

But as we look to the future I think there are ways in which the system of governance could be improved. There is not time here to try to flesh out a blueprint, but let me make a few comments.

To begin with we now have a vast system which continues to grow. It is very costly and it touches the lives of governments and citizens in various ways. Understandably governments and citizens have a very great interest in what higher education delivers and how well it does it.

Our starting point should be the community and what services are offered and can be offered. In brief, the community appears to want a diverse range of courses covering a growing range of professional, vocational and general interest course, as well as research, consultancy and other services.

We also must take into account the nature of higher education institutions. Since they are knowledge-based institutions they operate best with the maximum degree of discretion, especially in academic/professional judgement matters.

A number of mechanisms of governance are available to steer the system and steer the institutions. These can be categorised as political, bureaucratic and collegial market.

They all have a place in most western systems of higher education. Ministers and parliaments must be involved, but this mechanisms works best at arm's length. Bureaucratic mechanisms are essential, but bureaucracy easily intrudes more and more. Collegial mechanisms are important. One of the strengths of the old UGC/Universities Commission type models was the role of senior academics in policy making — the Derhams, Trendalls, the Walthams and the Partridges. But too great an influence on collegial processes often leads to lack of financial vision. And market mechanisms are important. We use them now, and have always done so.

My preference for the future is to reduce reliance on political and bureaucratic mechanisms, to restore to some extent the place of collegiality and to give a greater emphasis to market mechanisms. Significantly, this is the track that is being followed and advocated in many Western European and Scandinavian countries.

In terms of the political and the NBEET/DEET level we need more effort to set a stable policy environment and to plan in broad terms through consultative mechanisms. One of the great deficiencies of the present arrangement is with respect to any longer-term plan. If there is an overall strategic plan, I have not heard of it. We have not even worked out what our relative student load planning targets should be for higher education and TAFE.

At institutional level, there should be more hands off, and more emphasis on taking into account the views of clients. So my argument is more to market and collegial mechanisms. But it is not simply an argument for markets. Rather, I want to change the mix — the mix of political, bureaucratic, collegial and market mechanisms.

RESPONSE TO GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Roger Scott

On hearing the three presentations and reading the three papers, I see an extraordinary variation in interpretation of the same piece of reality. We have heard Neil Marshall talk about the virtues of CTEC and the vices of DEET. We have heard Leo West on the vices of CTEC and the virtues of DEET. We have heard Ron Cullen talk about Victoria and the virtues of being Victorian. When I was in a university subjected to CTEC there were lots of complaints about how it operated; there were different complaints when I was in the college sector, as I was at various stages, usually about the inequities of funding compared to the generous treatment given to universities. The relative funding model has shown in retrospect that some of those complaints were justified. At the same time there was an openness, an access to discussion which has not always been replicated in the DEET environment.

In relation to these differences of opinion about past arrangements, we ought not to lose sight of the fact that this conference is about federalism and we risk getting ourselves into an argument about the national government's relationship with institutions and less about the role of states in a federal system. That is the main point that David Cameron made at the beginning and we ought to reflect upon the comparisons that were made there.

Certainly Queensland, as one might expect, is very uncomfortable with a system which appears to see all authority and wisdom vested in a national government located in Canberra. Many of the changes that were described by Cullen in Victoria are being reflected in Queensland practice — not in the form of retaining a separate post-secondary statutory organisation, but in the use of state funds to get some leverage, particularly with the development of non-metropolitan campuses and greater access to technology. This included the promotion of distance education in ways that were not wholly consistent with the rather arbitrary views of the federal government on that matter.

One of the litmus tests of the effectiveness of state participation is the capacity to reinterpret the holy writ of central authority — and it seems to me that the Dawkins White Paper, the Green Paper and the Finn Report have all been subject to reinterpretation federally rather than at the local level. One of the interesting reinterpretations was the importance of size as a criterion for becoming a university. There was a tip-toeing away from that assertion in practice which was never made explicit. There was always an assumption that we in the states waited for our federal overlord to give the word before we knew what really were the rules of the new game.

One limitation of Marshall's view of reality is the understatement of the political dimension, the need to recognise that higher education in the context of state federal relationships is only one bargaining chip — one item among many. Places in higher education and the funds that go with them would be only one part of a debate about the future of Commonwealth/state relationships across a whole spectrum of issues. The role of the still-born 'new federalism' and the continuing negotiations among premiers and between the groups of premiers and the federal prime minister, is an external dimension of the context needed to explain changes and attitudes towards higher education.

Another related point is that we should not see universities as being the only item on the table in discussions on education policy. There is a nexus between the school system, TAFE and the universities. The way in which state/federal relationships have evolved in relation to universities needs also to be considered in the context of differing, but still significant, relationships between the Commonwealth and the states in the school area. There is some trading off possible between those two areas and that option has been made explicit at the Australian Education Council.

The final point I want to make in the context of the evolution of state bodies dealing with higher education is that the state coordinating authorities were ineffective towards the end of their existence in their relationships with colleges of advanced education. Colleges became more confident about their ability to attract quality students because they attracted staff comparable in qualifications to universities. These staff members were increasingly frustrated by petty bureaucratic constraints compared to university autonomy in the same period. The abolition of those state regulatory bodies was welcomed universally by the colleges as removing one of their inhibitions, although in retrospect it merely removed one level of state influence and replaced it with subservience to the Commonwealth.

In the context of Queensland, there is continuing state policy involvement in the higher education sector in a framework which is non-threatening to the universities. The forum which brings together the minister, the representatives (usually the vice-chancellors) of each of the state universities, the executive officer of the Office of Higher Education and the director-general has been a very effective negotiating platform for a number of initiatives which are state-driven. These usually have taken the form of facilitating wider geographical spread through the development of satellite campuses, which is not necessarily a high priority for individual institutions, nor necessarily a high priority for the federal government. So we do have some of the characteristics that were described by Ron Cullen, although we lack the legislative teeth that are available to VPSEC.

Historically, the era of powerful state bodies of a regulatory kind is past. However there is still a sense of frustration on the part of state governments generally about their lack of involvement in higher education policy. There is still a feeling that whatever the formal arrangements for consultation, too much has to be done in secret — too much depends upon private political initiatives, with supplicants waiting for manna from the federal government heaven.

At the Joint Planning Committees, states feel that they are often presented with a fait accompli and have very little capacity to influence outcomes because we are excluded from the key discussions at institutional level. In addition, the states have only a bilateral meeting, not a wider forum on which all states are represented and strategic alliances can be formed. This may emerge from the informal linkages of officers of state higher education authorities meeting as sub-committees of the Australian Education Council to develop responses to Council, usually Commonwealth cross-sectoral initiatives. Mention of such initiatives — concerns for cross-sectoral 'balance', for expanding vocational opportunities and for cross-crediting — indicates the 'ghost' at this gathering, the TAFE sector.

If we are not talking about TAFE, we are not talking about the biggest single issue in relation to higher education funding at the moment. Unless we address the issue of how state authorities and universities deal with TAFE, how we work through the impact of a changed balance in funding terms and in power terms, then we are not really addressing the key issue on the current agenda.

RESPONSE TO GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Ken McKinnon

I found myself in great sympathy with the paper by Professor Cameron as to what the agenda is in terms of the evolution of higher education, so I am going to relate my comments on the papers to it. But first I have to say that I have found the recounting of history a problem, especially in Neil Marshall's paper. It was not the history as I read it. In fact I thought his paper was curiously unhistorical.

Centralism of funding in Australia is nearly 30 years old and I believe it is irreversible — totally irreversible. It dates, of course, from the Murray report in the first instance and soon after that the increases in federal funding; that is, there was a formula developed that federal funds would only increase if the states were willing to match them. After that the most significant development was the 1973 decision of the Whitlam government to take over funding, although it was not a charitable act. They had an offset in the grants allocations to match the amount that they took over, and since then, my observation (I was very close to it being in a parallel commission with the commissions that existed through the 1970s and early 1980s) was that it led to complete centralisation. From 1973 on, state input was marginal for universities. It was more significant for colleges, but it was marginal.

The second point that needs to be made is about the state bodies. They had seen their day long before Dawkins brought the 1987 Green Paper in. In New South Wales at least, the consideration of what to do about its agency dates from around 1984–85, and while it was not clear, the sorts of things that the Green and White Papers brought in probably hastened reconsideration in all states. Of course, there has been some resuscitation for other reasons, but I will come back to that in a moment.

From the point of view of somebody who was around during some of those times, one the major things to take into account about the federal role is the personalities. I can remember, long before the heyday of CTEC, that the University Grants Committee, when Sir Lennox Hewitt was the chair, was regarded as highly centralist and interventionist in every way. It has to be said that the person who brought a sense of consultation to it was Professor Karmel. It was because of the way (coming from a university) that he administered CTEC, that it operated, and was perceived, by the universities in particular, to be very consultative, and consultative of state organisations.

About 1975, the big bills brought into the central government by different commissions forced the first guidelines to be issued by Mr Hayden. The commissions' proposals subsequently led to the 1977 Jones report and the formation of CTEC. The reference made to 1979 and the decision to bring the states back into discussions, was really a sop by the then government to the states (notably Queensland) which was arguing strongly for greater involvement. Peter Karmel and I were both at the AEC meeting when it was done. Jim Allen of Queensland was very loud and strong, and the minister of the day, Senator Carrick, said that we had better do something about this because the states were also grumbling about how the Commonwealth was taking over the schools. So we wrote out something that satisfied everybody on the day.

Now, I have to tell a little story out of school here, because in 1975 when the Liberal government came in, it was on the plank of new federalism. Being a dutiful statutory officer, I went over with all of the new briefs and said, 'Well Senator Carrick — here is what we shall do about your new federalism'. He replied,'Oh, just a minute Ken, we are going to be here for a long time — we don't want to rush this'. And nothing serious was ever done about that policy.

I think the same is going to happen to any suggestion of federalism for universities in the near future. In support of this view I recount a conversation with Nick Greiner over dinner at Hawkesbury as late as November or December 1991. He said, 'I think the Commonwealth should have total responsibility for higher education, including taking over the legislation, and I don't mind if they run the whole thing — if they will just get out of schools'. So, as Roger Scott said, it was a trade-off, that they were looking for recognition of the reality of the federal role in higher education.

The question is, is there central control? West has a benign view of the present situation and the control exercised by CTEC. I think his statements about the controls exercised by CTEC would, in fact, be admitted by Professor Karmel. That is, the Deakin decision was well thought over and not ever resiled from by CTEC. The second instance quoted by Leo was the study leave limitations and that too became a course which was followed through. Similarly CTEC had a very strong profile process, even though they were not called profiles. Universities had to put in what they were going to do in terms of the growth of their numbers; if that is not a profile, I do not know what would be.

On the other hand, it is equally true that there has been some very forceful action since 1987, and it is not just little bits of money that we are talking about. If you were present, as I was, at the second-tier debate that Dawkins had with the unions, you would know that he said, 'you have until Friday week to decide whether to accept the second tier under these conditions. I have the $23 million and it will go out of the budget on the 30th June — what about it?' The unions thought that this was pretty tough stuff. Equally, on the amalgamations, there were a number of very heavy moves, on a federal minister to state minister basis saying, 'no money unless you amalgamate in these directions'. So there has been some heavy pressuring from the federal level.

I also think that we ought to take into account the role of the Industrial Relations Commission. It is strong and will continue to have a very strong impact on the way universities work. The question is then, can the states have an influence? From my perspective, one of the problems is that the Higher Education Council does not have independent policy analysis staff, and it is therefore very difficult for it to produce material at the level of quality that will influence the national debate. I am a strong believer in the power of ideas, and unless it gets some of that kind of strength, it will be very difficult for it to have an influence. An allied factor, which was evident in all the previous commissions, was the ability to call conferences and gather up a consensus of what the main issues were and how they might be tackled. That was one of the strengths, not a weakness, of CTEC. It had an implementation role and it had the obligation because of that to go and find out what actually happened. Indications of slippage between intention and delivery demanded further modification of its policies.

Leo is right that the CTEC reports were exemplary in their traversing of the issues in an open way, in such a way that people who made submissions could see that their input was responded to, and whether it was agreed to or not. There were many times that CTEC took a very firm line, but at least everybody in the system knew that the issues were being seriously listened to, and watched.

I took the same approach with the Schools' Commission. In contrast, at that time there was a Social Welfare Commission established in 1974 and Marie Coleman took the opposite point of view. She was out of business in three years with the Social Welfare Commission because of the lack of a reality loop that comes from having to administer, having to respond to the recipients, and seeing whether you get a result.

Now, from the point of view of universities, the question is, what sort of autonomy? We had a nice exchange when Don McNicol was the chair of the Universities Council. I said that his role was to put the money on the stump and run. He put the money on the stump and sent it to me — one cent glued to the top so that it could not be used. Once we are mendicant for money we do have to interact, and I think that the problem, as Professor Cameron put it, is how can that arrangement be worked out? We have not begun to examine that (in my view) in

Australia seriously with recognition that it is not resolvable either this way or that, but that it has to be a complex interaction, perpetually.

West talked about the side input that will come from the professional associations like the Institution of Engineers. He also covered the possible influence of bodies such as the National Training Board and competency levels, and the way in which that input may introduce an instrumentalism that is way beyond anything that is justified. There has to be some question of balance — they are both federal bodies. This is likely to be more important than the federal/state dimension and we would have to work that through.

Similarly, there is a need tor restraint on the part of staff, when they come before the Industrial Relations Commission. The more they go for awards, the more they will be pushing for everything to be canonised in some way. The employers will have to get their part of the bargain tied up too, so that the situation will become less free and less flexible.

Of course, with the money from the federal level, and the ease of securing that money, has come a dependence. We have to avoid dependency and renegotiate, from time to time, the interdependence between autonomy and the federal funding role.

So what is the proper balance? Is a more federal structure needed? I believe that the states (if they were well enough organised) could have a strong influence; and I think that this is what Ron Cullen was arguing. If their own statistics, their own analysis and the cleverness of the ideas they put forward are such that notice has to be taken of them, I believe they will be influential. While the federal authorities may not be willing to admit it, they are always looking for ideas. They need them — they cannot generate them all themselves and they will be responsive to the best and most cogently put ideas. So, it is possible for the states to have that kind of role; and it is possible to address questions of equity, financing, accountability, management and system rationalisation. Not just by the states arguing for more money, but arguing at a national level how the debate ought to go and what its dimensions ought to be.

The problem with the sole federal role is the temptation to go beyond the level of forbearance and reticence that is appropriate for a federal government. In many ways a federal government is better for the universities in terms of increased autonomy. If you are far enough out on the periphery you can do more of what you want. We have to worry about an appropriate balance between control down to constant narrow local level of numbers, money and every last detail, versus general policy control together with central authorities asking the universities and colleges to justify themselves comprehensively from time to time.

So, finally I want to make the point — and let it not be lost — that Professor Cameron has drawn our attention to the governments of all Western societies wanting to capitalise on universities because of the presumed relationship between science, science policy, science success and economic well-being. Until we tackle that issue in Australia, and try to get it clear that this relationship is very indirect, and that it may be a result of gross and mass national action, rather than trying to pick winners in research terms, it will be difficult to resolve the debate about how big each individual institution should be, and how it ought to be organised. And of course, we also need to argue the questions that arise because of a possible alternative government. How far are market forces going to be brought into higher education planning? How much will we acknowledge that there will never be a pure market for higher education? The forces point in various directions, so we may need to shape the market forces in particular directions. In short, we will need a mature approach if we are going to get to a sensible policy.

I finish on the note that I do not think that a federalist policy is a possibility any more. I think we are talking about how the higher education system should be administered, given the fact that it is essentially funded from central sources, and the policy will be directed from there.

Part Three
Financing Higher Education

PAST, PRESENT AND FUTURE

THE AUSTRALIAN UNIVERSITY INTO THE TWENTY-FIRST CENTURY

Peter Karmel

The purpose of this paper[1] is to explore the future of our universities as we approach the twenty-first century. Prescriptions for the future arise from present concerns and these, in turn, can best be appreciated by placing them in the context of the past development of higher education in Australia. Accordingly, I make no apology for devoting a substantial part of this paper to a description of the past and an analysis of the present, but it is to the future that the main burden of the paper is directed.

PAST

The Murray Committee

The systematic development of the universities, as we know them today, dates from the Report of the Committee on Australian Universities which was published in 1957. In that year, the then prime minister, R.G. Menzies, appointed a committee under the chairmanship of Sir Keith Murray, Chairman, United Kingdom University Grants Committee, to 'indicate ways in which the universities might be organised so as to ensure that their long term pattern of development is in the best interests of the nation'.

At that time there were only nine universities in Australia and no other recognised institutions of higher education; student numbers totalled about 30,000. As a result of the recommendations of the Murray Committee the Commonwealth government entered into a commitment to provide substantial funding to the Australian universities. Over the previous ten years or so the Commonwealth had made some contributions to the universities, particularly in relation to the education of returned servicemen, but the Murray Committee started the Commonwealth on the track of ever-increasing commitments to higher education. The Commonwealth agreed to provide recurrent funds to the universities on the basis of 1:1.85 state grants plus fees, and capital funds on the basis of 1:1, up to approved limits.

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[1] My thanks are due to Robert Arthur for his critical assistance in the preparation of this paper.

The other major consequence of the deliberations of the Murray Committee was the establishment in 1959 of the Australian Universities Commission (AUC) to furnish information and advice to the Australian government on financial assistance to universities and the conditions of such assistance. The Commission was enjoined in its founding Act to promote 'the balanced development of universities so that their resources can be used to the greatest possible advantage of Australia'. The AUC was to be a buffer between the individual universities and governments (Commonwealth and state), removing dealings with individual institutions as far from the political arena as possible. It was to exercise a coordinating role, avoiding the unnecessary duplication of expensive facilities. Its recommendations to the Commonwealth government were to be made public. The foundation of the AUC established a process for managing the higher education system, as distinct from managing the institutions, that lasted for nearly thirty years.

The Martin Committee

Over the period 1947–55 the number of university students had hovered around 30,000. However in the following six years it increased rapidly to 58,000 and by 1968 stood at 100,000. An obvious question was whether this rapid growth, and the further expansion that lay in the years ahead, should be accommodated by a multiplication of institutions and facilities similar to those already existing. In 1961 the prime minister (still Menzies) appointed the Committee on the Future of Tertiary Education in Australia, with Sir Leslie Martin as Chairman, to consider 'the pattern of tertiary education in relation to the needs and resources of Australia'. The Committee reported in 1964 and made many recommendations on the future development of tertiary education. The main feature of the report was the recommendation to establish a new type of institution of higher education, later called colleges of advanced education (CAEs), to be developed from existing institutions or as new creations.

Three reasons lay behind this proposal. First, there was the view that, given the expanding demand for higher education, the goals and courses of the traditional universities were not necessarily appropriate for the greater spread of abilities and interests that an increasing student population would bring; in other words, there was a need to make the system more diverse. Secondly, the high failure rates experienced by university students were well known and the expansion of traditional institutions might be expected to result in even higher ones. Thirdly, the cost of expanding universities along traditional lines with their commitments to research was high; some more economical solution was desirable. The Martin Committee conceived of the colleges as being more applied and directly vocational than the universities, somewhat less demanding academically, not involved in research other than, perhaps, applied developmental work, and offering courses mainly at the diploma level.

The establishment of advisory machinery for advanced education, which paralleled the AUC for universities, soon followed the acceptance by the Commonwealth of the main thrust of the Martin Committee, and a period of rapid growth in advanced education began. The sector inherited about 40,000 students from existing institutions that were accepted as being of college status and by 1976 there were 73 colleges (including some 39 teachers colleges which became CAEs in 1973) enrolling 145,000 students.

Shortly after the foundation of the advanced education sector the colleges began to move into degree work in a substantial way. In a number of fields there was overlap with the universities but nevertheless the colleges were different from universities in their goals, ethos and perceptions of themselves. The binary line held for 20 years.

The Whitlam Era

Shortly after its election at the end of 1972, the Whitlam Government took two steps which had profound consequences for Australian higher education. First, it decided that there should be no tuition fees at Australian universities. Tuition fees had been set at about 15 per cent of average recurrent costs, although most full time students had their fees paid by governments under scholarship or teacher training arrangements. Secondly, the Commonwealth assumed full funding responsibility for the universities, taking over the states' share of funding.

At the time these reforms took place there was general support for them, although some sensed that there might be unintended consequences. The notion that higher education like primary and secondary education should be free had wide appeal. Similarly there was a belief that the Commonwealth's pockets were deep while those of the states were shallow.

It soon became clear, however, that the universities were now almost wholly dependent on one source of funds. They could not turn to their state governments for help in emergencies nor even consider the raising of tuition fees as a last resort. Moreover, as long as the Commonwealth was matching state grants the exigencies of state treasuries imposed a brake on funding which the Commonwealth Treasury viewed as an acceptable guarantee against extravagance. Once the states ceased to exercise constraint, the Commonwealth Treasury itself became interested in levels of expenditure and began to impose increasingly strict control.

Indeed, the states changed sides and now began arguing for greater expenditures since all the funds were to come from the Commonwealth; this made the Commonwealth Treasury even more determined to contain expenditure.

In 1975 there were recommendations for the 1976–78 triennium from the four education commissions: universities, CAEs, technical and further education (TAFE) and schools. In total the financial recommendations were very large, and they were directed at the Commonwealth government alone. The system broke down.

The consequence of the breakdown in the arrangements which had persisted for over 15 years was that the Commonwealth began to require the Commissions to operate within guidelines laid down in advance. Initially these were principally aimed at constraining expenditure, but as time went by the guidelines became more detailed and were designed to give effect to government priorities. At the same time, funds became tighter for higher education and there developed emphases on accountability and efficiency and effectiveness.

In 1977 the three tertiary education commissions were combined to form the Commonwealth Tertiary Education Commission (CTEC). CTEC was required to perform its functions with the object of promoting, first, 'the balanced and coordinated development of the provision of tertiary education in Australia' and secondly, 'the diversifying of opportunities for tertiary education'.

The references to 'coordination' and to 'diversifying' had not appeared in the original AUC Act. The general style for managing the higher education system continued but the Commonwealth was becoming more intrusive.

Consolidation of Advanced Education

By 1980 it had become clear that, without a major change in policy, funds available for higher education were unlikely to increase, and there would be only small overall growth in enrolments during the 1980s. At the same time there was a sharp decline in the demand for enrolment in pre-service teacher education courses. The future of those CAEs, many of them rather small, that were involved predominantly in teacher education would be in doubt. For these reasons in 1981 CTEC recommended the consolidation of 30 CAEs into larger units. This was taken up by the Commonwealth government and marked the beginning of deliberate moves to form a smaller number of larger institutions. By 1986 the 73 CAEs of 1976 had been reduced to 45.

Efficiency and Effectiveness

The issues of accountability and of obtaining the best value from the resources devoted to the provision of higher education continued to be pressed by the coordinating departments of the Commonwealth government. As a result a committee was appointed in 1985, chaired by Hugh Hudson, then Chair of CTEC, to enquire into 'ways of improving the efficiency and effectiveness of the higher education sector'. The Review of Efficiency and Effectiveness reported in 1986. It drew attention to the considerable achievements of higher education over the past decade in terms of student participation and access, diversity of courses and institutions, and rationalisation in the use of resources; it pointed out that the resources available to higher education had not kept pace with enrolments; it indicated that there was room for improvement in the internal management of resources, in staffing arrangements and in the performance orientation of the institutions. The Review considered that there should be some relaxation of the rigidities of the binary divide but that the binary system should be retained. It might be noted in passing that the wide ranging report on *Education, Training and Employment*, prepared under the chairmanship of Sir Bruce Williams during 1976–79, had likewise not proposed the dissolution of the binary system. The Review also argued that new institutions should be established only if there was an assured population base because small institutions were uneconomic. Rationalisation of external studies was advocated. The Review of Efficiency and Effectiveness was not directly acted on but a number of its findings influenced (sometimes in unintended ways) the Green and White Papers issued by the minister of Employment, Education and Training several years later.

Summation 1957–1987

In 1957 there were 36,600 students in nine universities together with perhaps another 20,000 students in senior technical colleges and teachers' colleges who were enrolled in courses at roughly higher education levels. By 1987 there were almost 394,000 students in 19 universities and 45 CAEs. This seven-fold increase in enrolments represented a rate of growth of 6.7 per cent per annum. Allowing for the growth in population, participation in higher education had multiplied over four-fold. At the same time there had been a great diversification of institutions and courses. Higher degree work had expanded from negligible levels to the extent that by 1987, nearly 15,000 students were enrolled in higher degrees by research and over 13,000 in higher degrees by course work. The strength of the universities' research effort had increased enormously, as had the capacity of the CAEs to mount a wide range of professional and vocational courses.

The Dawkins Years

John Dawkins became minister for Employment, Education and Training early in 1987. He immediately set about asserting his prerogative to make policy. Over the years 1959–75 the higher education commissions had been largely responsible, within a broad framework, for formulating policies relating to higher education institutions. They had made policy recommendations in public reports and governments had reacted to them. As pointed out above, the Commonwealth had, from 1976 onwards, issued the commission(s) with guidelines within which recommendations were to be made. Over the ensuing years ministers had become increasingly active in spelling out government priorities; policies had evolved as a result of interaction between CTEC and the government, rather than on the initiative of CTEC.

The assertion of ministerial power over policy formation became complete under Dawkins. This was manifested in the abolition of CTEC at the end of 1987 and the transfer of program administration (other than of research), including the negotiations of grants with institutions, to the Commonwealth Department of Employment, Education and Training (DEET). A new advisory mechanism, to replace CTEC, was established — the National Board of Employment, Education and Training (NBEET) and its Councils. However, with the exception of the Australian Research Council (ARC), their role was marginalised. The Green Paper was in preparation before CTEC was abolished but CTEC itself was not involved. Both the Green Paper (*Higher Education — a policy discussion paper*, December 1987) and the White Paper (*Higher Education — a policy statement*, July 1988) palpably displayed the stamp of the minister.

Dawkins' broad policy objectives emerge clearly enough from the White Paper. They are four in number: at the macro level to raise participation in higher education, and to widen access to it; at the micro level to improve institutional efficiency and effectiveness, and to increase the responsiveness of institutions to Australia's economic and social needs.

Although there has been general support for these objectives they are not entirely unproblematic. For example, the appropriateness of the balance between participation in higher education and in TAFE implied in the White Paper is arguable, and indeed is about to become a major policy issue. The effectiveness of widening access in relation to its cost is also a matter for consideration. Moreover, the push to improve institutional efficiency and effectiveness and responsiveness implies that institutions have been markedly inefficient and unresponsive. No institution is perfect and there was certainly room for improvement in Australian higher education institutions but their record has been relatively good; bureaucrat and business critics of higher education in Australia have insufficiently understood the nature, purposes and performance of higher education institutions.

Five main policy instruments have been used in the pursuit of the above objectives.

The binary system

The binary divide was abolished and pressure was brought to bear on institutions to combine in order to produce the unified national system with a smaller number of larger institutions, preferably with enrolments of over 8,000.

I cannot let this pass without interpolating a brief comment. The binary system had developed elements of instability as several of the more mature and diversified CAEs sought university status. This needed to be resolved. Apart from this, the enthusiasm of the CAEs for a unified system arose largely because of the prestige and higher funding perceived to attach to university status. Some of the mergers that have been effected were based on good educational and/or economic grounds but in many cases there appears to have been little educational or economic logic behind them: the policy of enlarging institutions has been applied in a wholly doctrinaire fashion. Incidentally, it is of interest to note that the tripartite system established in California in 1960, which was influential in the deliberations of the Martin Committee, has persisted virtually unchanged to this day and is continuing. In this system the University of California admits students from the top 12 per cent of high school graduates, the State University of California from the top one-third and the community colleges are open to all; Ph.D work is concentrated in the University of California.

Educational profiles

The second policy instrument involves the negotiation between individual institutions and DEET of educational profiles of the courses offered and the number of students (total and commencing) to be enrolled. These negotiations include the presentation of institutional management plans relating to such subjects as long term strategies, research, equity and student accommodation.

Research

Major changes in the funding and management of research were implemented. Research funding has been separated as far as possible from the funding of teaching. This has been done by clawing back from the operating grants of the original 19 universities' significant funds and passing them into the control of the ARC. Research funds are now largely allocated on a competitive basis by grant-giving agencies, mainly the ARC and the National Health and Medical Research Council (NHMRC). About 6 per cent of aggregate operating grants remains research related and is distributed according to current levels of research activity in individual institutions; that part of operating grants that relates to the training of research students is still within the universities' operating grants.

Funding formula

DEET has developed and applied a public formula which aims to remove inequalities between institutions in the funding of teaching. The formula may have unintended consequences. For example, it encourages universities to offer Ph.D programs, because of their generous weighting, even though some institutions may not have suitable infrastructures. It has also affected internal management decisions.

Higher Education Contribution Scheme

In order to provide funds for the expansion of higher education, tuition fees have been reintroduced. The precursor to the reintroduction of tuition fees was the imposition of a charge on overseas students in the early 1980s. Subsequently, the charging of full fees to overseas students or their sponsors was instituted. About the same time institutions were permitted to charge full fees for employment-related graduate courses. In 1987 and 1988 a higher education administration charge (HEAC) was imposed on students. In 1988 the Commonwealth appointed a committee chaired by The Honourable Neville Wran to investigate higher education funding. The committee recommended arrangements which subsequently came into force in 1989 under the title of the Higher Education Contribution Scheme (HECS). This scheme provides for the imposition of a flat annual tuition fee payable by all non-exempt students. (The Wran Committee had, in fact, recommended differential fees according to course costs.) The fee is equivalent to about 20 per cent of the average costs per equivalent full-time student. It can be paid either by the student up-front at a discounted rate or by the Commonwealth to be recovered from the student through the income tax collection system by, in effect, adding 2 to 4 percentage points to marginal income tax rates when the student's income exceeds average earnings.

Summation 1987–1991

The reforms implemented under John Dawkins' administration during 1988–90 amount to something close to a revolution in higher education in Australia. The policies came into force rapidly, and although much criticism has been expressed by some academics and administrators, there has been little organised opposition.

The speed of these recent reforms and the manner of their formulation can be contrasted with earlier approaches to major educational change. For example, the Martin Committee, which comprised 17 members prominently representative of a wide range of academic and community interests, took three years in the preparation of its report which was based on much hard evidence. The Green and White Papers were prepared in DEET and contained little statistical analysis.

The unified national system was quickly established and the number of institutions reduced to about 35, all comparatively large — only a few loose ends remain to be tied up in Victoria. The new research policies were up and running early in the piece and the relative funding formula is being applied.

Participation in higher education has increased substantially, in fact more than was originally planned by the government. Enrolments rose from 394,000 in 1987 to 535,000 in 1991. This is a rate of increase of 7.9 per cent per annum. The transfer of courses in nursing to higher education has somewhat distorted this figure: indeed, excluding nursing the rate of increase has been 7.3 per cent — not all that much higher than the 6.7 per cent that had been sustained on average over the 30 years between 1957 and 1987. Participation in higher education in Australia is now high by international standards and broadly comparable with that in the United States for corresponding institutions. About 40 per cent of an age cohort will enrol in a university sooner or later during their lifetime — 30 per cent direct from school.

As far as access is concerned there appears to have been marked success in increasing enrolments of Aboriginal students. Universities are certainly more aware of the need to improve access for disadvantaged groups, although costs and deep sociological influences remain inhibiting factors. Similarly, institutions have been made more aware of the importance of efficiency and effectiveness in using their resources and of the measurement of performance in assessing outcomes. They are also conscious of national priorities.

PRESENT

Higher education in Australia displayed steady progress in a relatively stable system over the 30 years from the Murray Committee to the accession of John Dawkins. In the few years since 1987 higher education has been revolutionised. Enrolments have increased by more than a third. Funding, especially capital funding, has increased substantially. The number of institutions has been reduced by half. The long established binary system has disappeared. The Commonwealth's administration of higher education has been transformed. The factors affecting the balance of research and teaching have been modified — although it is not yet clear in which direction the balance has changed. Efficiency, at least in the statistical sense of cost per student, has been forced up as resources have not grown commensurately with enrolments.

Arising from these changes there are five major areas of concern. They relate to the centralisation, uniformity, stability, funding and size of the higher education sector.

Centralisation

Protestations to the contrary, the present arrangements for the funding of higher education involve a high degree of centralisation. In its most obvious form this can be seen in the ongoing engagement between individual institutions and DEET. DEET is in continuous correspondence with institutions on routine and other matters — indeed institutions have received over 800 pages of correspondence from DEET in the last 12 months. Apart from this, massive statistical reporting is required. Dealings with DEET culminate in the annual profile discussions, but additional discussions on specific issues are often needed. Institutions are also expected to respond to a stream of reports emanating from DEET and other government instrumentalities. Recently I was involved in compiling a list of such reports from 1986 to date. The list was not complete but there were 51 items in it. Apart from these, institutions are expected to react to government initiatives, of which there have been over 40 major ones during the last five years.

Another aspect of centralisation is the pressure for institutions to conform to national priorities. National priorities are spoken of as if they are obvious propositions with which all must agree. In fact, however, they are seldom unproblematic. Laid down by the national government, they reflect the views of the party in power. The alternative to a single set of national priorities is a plurality of priorities. The argument against centralised control is that individual institutions (whether public bodies or private businesses) know better how to run their affairs, and indeed will run their affairs, more efficiently than a central bureaucracy. They are able to determine their priorities in the light of external circumstances, world trends and the views of the government. It can be argued that in the long run it is in the national interest to have a decentralised, deregulated system, for such a system will do better than one run by central command. This is surely the lesson to be learned from eastern Europe. The ongoing obsession with national priorities, guidelines and coordination which imbues educational, research and technology pronouncements is a strange paradox in a society in which in its economic affairs the emphasis is on deregulation and market orientation. In the case of universities, there appears to be little appreciation on the part of the Commonwealth bureaucracy of the intrinsic mission, culture, values and workings of the institutions, nor of what motivates their academic staff. Necessarily the principal concern of public servants must be the implementation of the minister's policies. In contrast, the former Commissions, whatever their faults, had a high level of understanding of, sensitivity to and respect for the institutions; they provided an effective mediation between government and institutions.

Talk of national priorities in educational policy inevitably emphasises the role of education in promoting the health and growth of the

Australian economy. Higher education is important in raising the skills of the work force and in industrial innovation and development. But it should be clear enough from past experience and from analysis of the experience of other countries that, while a high level of participation in higher education may be a necessary condition for economic success, it is certainly not a sufficient one. If naively we believe that higher education is a quick fix for economic ills we are bound to be disappointed, as indeed we were in the second half of the 1970s. Emphasis on higher education as an instrument of economic policy tends to narrow the task of universities to coping with known economic problems. Universities serve their purposes best when they are untrammelled by too great an emphasis on short term considerations and are free to prepare students and foster research along all the dimensions relevant to an uncertain future — human, social and environmental as well as economic — and to do so in a spirit of free inquiry without a predetermined agenda.

Uniformity

The binary system ensured significant heterogeneity among higher education institutions, at least between the university and advanced education sectors. The range of courses and their nature in CAEs differed from those in universities, as did approaches to teaching. Over the years there was a tendency for the colleges to mimic the universities while, on the other hand, universities began to move into areas which had originally been the preserve of the colleges. Nevertheless, significant differences between the generality of universities and colleges remained. The abolition of the binary system and the establishment of the unified national system entails an almost certain move towards uniformity. Indeed, the former CAEs are clearly mimicking university behaviour in respect of the balance between research and teaching, higher degree work and course offerings. New developments in former CAEs as reported in the press and advertisements of course offerings and job vacancies are clear demonstrations of this. The CAEs have become 'universities' and accordingly are taking on their mantle.

This is, perhaps, most clearly to be seen in the shift of emphasis from teaching to research in the former CAEs. In spite of lip service to the importance of teaching, the pressure on academic staff to undertake research, so as to measure up to university status, is considerable, particularly as the former CAEs begin to mount Ph.D programs. Moreover, as resources are absorbed in undertaking research, seeking research grants and managing research programs, in being entrepreneurial and in conforming with government guidelines on equity and internal management, fewer resources are available for undergraduate teaching. This applies in the old universities as well as in the new ones.

In these circumstances, diversity becomes a major issue. It is most important for the unified national system to offer the generality of students high quality education in the courses of their choice, to ensure that they have a wide choice and to foster differentiation in teaching styles and institutional environments so that students may undertake their work in conditions which they feel are congenial.

The new universities created between 1960 and 1975 (there were six of them, apart from the three university colleges that became independent universities) modelled themselves on the older institutions and often emphasised their sameness so as to improve their competitive position in attracting students and staff. This should not be a paradigm for the future, although we seem to be heading in this direction. Universities have to serve the needs of a heterogenous mass of students: some 40 per cent of a cohort, not the highly selected and rather homogenous 5 per cent of 50 years ago.

Nowhere will the tendency towards uniformity be more damaging than in the field of graduate studies. It has become the practice for most academic staff in most institutions to wish to be involved in the teaching of graduate courses and the training of research students, often in preference to undergraduate teaching. This has been exacerbated by the immobility of students, most of whom tend to undertake graduate work in the university of their undergraduate training. Nor has it been lessened by the mobility of staff who, when moving from an institution involved in graduate work, carry with them a desire to establish graduate courses in their new institution. Australia has the capacity to develop a strong university system, but the system will only be strong with a greater degree of concentration of graduate work, particularly of research training. Such concentration of graduate schools is necessary to provide a critical mass of highly qualified staff and students so as to provide a rich learning environment. The strength of higher education in the United States depends on considerable differentiation among institutions. All of our 35 or so universities are significant institutions and have important tasks, but not all of them can be Harvard — we should be content to aim at five to ten institutions with high level graduate schools. Unfortunately the system seems to be moving in the opposite direction.

The concept of 'the clever country' has been used to justify a considerable expansion in higher education over the last few years, but emphasis on quantity rather than quality is itself not too bright! We need to raise the quality of our higher education generally, but above all we need some institutions with sufficiently distinguished faculty in a range of disciplines so that they can offer the most able students advanced scholarship at the highest levels, as well as contribute to scholarship and research at international standards.

The creation of the unified national system was to a large extent motivated by antagonism to the élitism implied in the distinction between universities and CAEs. Resources have been allocated to institutions within the unified national system on a more equal basis, particularly in relation to teaching responsibilities; pressures for even greater levelling among institutions still remain. It is strange that a country which promotes gold medal performance among its sportspersons by devoting considerable resources to an élite should, as a matter of principle, be opposed to promoting gold medal universities.

Notwithstanding the above, there still remains a good deal of differentiation among institutions; for example, only nine or ten universities could claim to have significant research libraries; the nine universities with the highest number of higher degree research enrolments enrol two-thirds of all research students; of all universities, as now defined, seven cover two-thirds of research activity. The health of higher education in Australia requires at least the maintenance and preferably an increase of this differentiation. Unfortunately, present tendencies are towards more equality in both inputs and outcomes. How the quality of the research libraries and other scholarly infrastructures can be maintained in the face of the levelling that is taking place must be of major concern. If this levelling is allowed to continue it will quickly move Australia out of its present high ranking in international research and scholarship.

There is also the question of size. Three-quarters of our universities now enrol more than 10,000 students, and one-quarter of them more than 20,000. While it is true that very small institutions are expensive to run, the capacity for innovation in smaller institutions and for closer relationships between staff and students should not be overlooked. Differentiation in size is an important factor to be borne in mind. Australian universities are now on average larger than publicly funded American institutions. The benefits, educational and economic, of size *per se* are by no means established.

Stability

The forced merging of institutions is bound to produce tensions. Some of these relate to differing institutional histories and cultures and some to the conflicts that arise when resources are reallocated from one component part of an institution to another. Such tensions are bound to damage the institutions and result in instability.

Moreover, within institutions whose activities take place on widely separated sites, centrifugal forces tend to be generated. It is salutary to remember that in the 1950s and 1960s there were at one time or another six university colleges operating under the aegis of metropolitan universities, all of which agitated for and obtained independent university status. It would be optimistic to assume the long-run stability of the universities as at present constituted.

Funding

The expansion of higher education since 1987 has brought to the institutions increased funding to cover both operating and capital costs. However, operating grants have not risen proportionately with enrolments. In addition, as pointed out above, universities have necessarily been devoting resources to such areas as equal opportunity, access programs, occupational health and safety, research activities, management plans, etc. — all worthy activities. The net effect is that most institutions are now under-resourced for undergraduate teaching purposes. This has been manifested in falling staff/student ratios, larger classes and reduced or eliminated tutorials. Also, as pointed out above, those universities which have built up substantial infrastructures to support scholarship and research are finding it increasingly difficult to maintain them, let alone expand them in proportion to their capacity to undertake advanced work.

Some universities have been successful in diversifying their sources of funds, but most additional funds are tied to specific activities and do not contribute to undergraduate teaching or to the maintenance, let alone the strengthening, of research infrastructure. Clearly, universities need a capacity to raise additional funds in proportion to the services they provide.

Quantum of Higher Education

The rapid growth of higher education over the past few years itself raises the question of the appropriate size of the higher education sector. The recent report on *Young People's Participation in Post-Compulsory Education and Training* (Finn Report) has argued that by 1995 virtually all young people should achieve a base-level traineeship or participate in year 12 of secondary school or progress towards a higher level qualification at university or TAFE. The appropriate size of the higher education sector and the balance between higher education and TAFE are clearly issues yet to be resolved.

Moreover, there is likely to be an elevation of TAFE's role in tertiary education to the extent that the former CAEs become more like the old universities. Thus, as the interest of the universities in two-year diplomas wanes, TAFE is likely to assume a growing responsibility for them. Upward academic drift has been a characteristic of the higher education scene for the past 20 years or so; for example, two universities have already sprung from technical colleges in Sydney and a third reincarnation now seems possible.

The future of higher education cannot be considered in isolation from what is happening in TAFE. This is true both for the size of the sectors and for the nature of the work undertaken in the various institutions. The recent emphasis on credit transfer reflects a concern to foster mobility between tertiary institutions. Ideally, we need a system that enables institutions to find their own niches in it without centralised direction or political control.

The manner in which higher education was managed over the period 1974–87 might reasonably be described as central government funding with light regulation, although the CAEs were subject to more controls than the universities, imposed by state coordinating authorities as well as by CTEC. During the past four years intervention has become heavier and the institutions have been seen by the Commonwealth as subservient to government policies. In spite of the advantages flowing from greater funding and more competition among institutions, the net effect has, in my view, involved significant damage. Deregulation appears to be the next stage in the evolution of higher education in this country.

FUTURE

Many university people, particularly those who worked in the pre-1987 universities, are deeply critical of the Dawkins reforms. Others feel that, while there have been positive outcomes, many consequences are negative and there has been a deterioration in the quality of higher education. However, the reforms are not about to be reversed. There is no going back to the pre-1987 days. Indulging in nostalgia for the golden age or expressing anger at the present are fruitless. The question is, where do we go from here? Given the tendencies inherent in the present arrangements and the need for a high quality, but differentiated, system of higher education, the current situation is simply untenable.

The introduction of HECS in 1989 has provided a mechanism through which a major change in the organisation of higher education, *via* its deregulation, can take place. Moreover, the unified national system has resulted in the elimination of the smallest institutions which might have had difficulty in coping with deregulation, and in the establishment of a relatively uniform structure of teaching costs.

As pointed out earlier, there was during the 1980s a gradual introduction of fee-paying arrangements in higher education affecting overseas students, persons enrolled in employment related graduate courses and finally all students. The purpose of these arrangements was to raise revenue to contribute towards the costs of expansion.

The levying of fees may have one or more of four objectives: to raise revenue, to improve equity, to promote efficiency or to reduce government control. The present HECS arrangement meets the first two objectives. It raises revenue — ultimately about 20 per cent of universities' running costs. It also improves equity between those attending universities, and therefore benefiting through higher incomes and better employment prospects, and the rest of the community which pays taxes to support the universities. The promotion of a more efficient allocation of resources would require universities to be more market oriented by charging fees and enrolling students for particular courses related to the demand for the courses and their costs. Reduced government control would imply a system in which the institutions were no longer directly responsible to, and controlled by, a central bureaucracy, particularly in respect of their enrolment levels.

A Fees Scheme

During this year my colleague, Robert Arthur, and I have been developing an approach which uses a fee-based funding system as a means of effecting the four objectives mentioned above. I want to acknowledge Robert Arthur's joint authorship of the scheme developed below; the comments on it are, of course, mine.

The HECS arrangements make it possible to introduce fee paying in universities without greatly affecting access and without involvement in complex loan schemes which, in other countries, have proved difficult to operate satisfactorily. Our support for the charging of fees, therefore, depends critically on the use of HECS-type arrangements.

The main elements of our approach[2] are as follows:

(1) Each university to fix fees for individual courses having regard, to the extent considered appropriate, to relative costs and demand. Institutions would be free to cross-subsidise courses so that low demand courses which were felt to be essential university activities could be retained.

(2) The Commonwealth to provide a predetermined number of fee remission entitlements (FREs) — 'vouchers' in a less descriptive but more emotive terminology — entitling students to a partial remission of fees at approved institutions.

(3) The balance between the fee and the value of the FRE to be paid either by the student up-front or by the Commonwealth *via* a HECS-type arrangement with subsequent recovery through the income tax system, the choice to be the student's.

(4) Each university to determine the numbers of students it is prepared to enrol in its various courses.

(5) Universities to be able to enrol, at full fees, students (overseas and domestic) who do not secure FREs.

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[2] These were first outlined publicly at the National Conference of the Australasian Institute of Tertiary Education Administrators in Darwin on 11 August 1991.

(6) The Commonwealth to offer scholarships, covering all or part of the difference between the FRE and the fee, to meet specific policy objectives, for example, to encourage excellence, to meet labour market shortages, to increase access, to encourage postgraduate enrolments.

(7) The recurrent costs of universities to be defined to include provision for the service of capital. Thus, capital expenditure would be recovered over time through fees. The Commonwealth is already moving in this direction.

(8) Research funding to continue as at present, through ARC, NHMRC, etc. That part of present operating grants that has been assessed as directly related to research (6 per cent) to continue to be allocated in proportion to research activity.

(9) The present DEET and NBEET (other than ARC) apparatus to be replaced by an arm's-length authority, with adequate staff, to advise the Commonwealth on higher education matters (including the quantum, value and distribution of FREs and their administration) and periodically to report publicly on the state of higher education in Australia.

Elaboration

The above approach needs fleshing out in respect of three matters relating to the value of FREs, their number and their distribution.

Value of fee remission entitlements

There are broadly three options available for determining the value of FREs: a flat amount, a fixed proportion of fees charged, or variable values according to course.

With a flat amount, the gap between the value of the FRE and the fee charged for the more costly courses will be considerable and the cost to the student will vary greatly from cheap to expensive courses. For this reason, I favour a fixed proportion of fees charged, for example, two-thirds or three-quarters (HECS at present covers about 22 per cent of average teaching costs). The problem with using a fixed proportion is that, unless the Commonwealth sets standard fees, it could be exposed to costs arising from institutions' pushing up fees. The risk of this happening is perhaps not great, as competition among institutions and pressures from students will tend to constrain fees. The third option would enable the Commonwealth to subsidise some courses more than others and therefore to influence demand; it would, however, be complicated.

Number of fee remission entitlements

Total university enrolments will depend on the number of FREs available. This will be determined by the Commonwealth and will be a political decision. It could be argued that, universities having set entrance standards and the government having set the value of FREs in relation to the putative social benefits of higher education (as distinct from the private benefits which accrue to graduates and are therefore reasonably covered by fees charged), the quantum of FREs should be set at the level where there is no excess demand. On this basis, in 1991, there would need to be somewhat more than 535,000 FREs.

Distribution of fee remission entitlements

The principles for distributing FREs are not entirely straightforward. About one half of commencing undergraduates do not come direct from school but enter universities on the basis of various institutional entry schemes. Moreover, tertiary entrance examination arrangements for school leavers are not uniform throughout the country. There is also a case for ensuring that institutions have some guaranteed student load under their control. For these reasons a proportion of the FREs (perhaps one half) might be distributed on a state basis for competition among school leavers and the balance distributed to universities to make available to individual students whom they are willing to admit.

Consequences

What would flow from the introduction of the above scheme? The five matters of concern outlined above relating to the centralisation, uniformity, stability, funding and size of the higher education sector would all be addressed.

First, the system of higher education would be largely deregulated because political and bureaucratic intervention would be greatly reduced as would bilateral dealing between institutions and government officials. The grant assessment and profile negotiation functions of DEET would be removed; the number of enrolments would be a matter for each institution to determine. It would no longer be necessary for the government to be directly involved in assessing/monitoring the quality of institutions. Effective market orientation of the provision of higher education services would be introduced by empowering institutions to offer services at prices and in quantities determined by them and by allowing students to weigh services offered against fees charged — a shift from a producer-dominated system to a consumer-dominated market. The power of students as consumers would almost certainly lead to some reorientation of university priorities towards teaching.

Secondly, diversity among universities would be promoted as each strives to find a market for its services. Product differentiation would occur in the nature of courses, the levels at which they are pitched, the size of the institutions, the facilities available, the emphasis and ethos of the institution.

Thirdly, universities would be free to reorganise themselves in any way they chose. Undoubtedly, there would be some splitting of institutions, but there might also be combining and collaborating.

Fourthly, universities would be able to balance costs against revenues. Having greater control over their budgets through the level of fees, they would be able to adjust the educational services they provide to the revenues they are able to earn. Some institutions would be able to allocate part of their revenue to supporting scholarly and research infrastructure.

Fifthly, the appropriate size of the higher education sector could be determined on the basis of providing enough FREs to eliminate excess demand for places. If a similar fee scheme were operating for TAFE institutions, the market, together with the Commonwealth's decisions on the quantum and value of FREs, would sort out the relative balance between higher education and TAFE and, within the two sectors, the relative balance of the different kinds of courses offered.

Other advantages would flow from the proposed arrangements. Institutional efficiency and effectiveness would be promoted by avoiding the rigidities imposed on university management through the present public relative funding formula. Institutions would have greater control over budgets through fee structures and this would enable them to respond to labour market conditions in employing staff. It would also facilitate moves to enterprise bargaining in the determination of salaries and conditions, if this were desired — indeed, it is difficult to conceive of enterprise bargaining in universities without their being deregulated. It would, moreover, reduce the responsibilities of the Australian Vice-Chancellors' Committee, and, consequently, the burden of work imposed on universities and their vice-chancellors by that body.

The proposed arrangements would have positive results from the point of view of equity. The cost of higher education would be shared explicitly between the two beneficiaries — society and the individual student. The student would be enabled to meet his/her share of the cost when, and to the extent that, the benefit is received. He/she would be able to balance the benefit received from enrolment against the cost incurred. Access to higher education would be preserved in an equitable manner. Invidious distinctions between full-fee-paying overseas students and other students would be eliminated and full-fee-paying domestic students enrolled if desired. Public and private universities could be treated on an equal footing.

Governments could still influence the development of higher education and access for special groups through the quantum, distribution and value of FREs, through scholarship schemes and through the provision of capital to establish new institutions. Accountability would be assured through the operation of the market, statutory reporting requirements of the institutions and the reporting of the authority advising the Commonwealth on higher education matters.

Qualifications

The case for a move in the suggested direction is strong. However, two qualifications should be mentioned.

The proposed arrangements do not envisage any formal coordination of the activities of the various institutions. Indeed, the essence of deregulated arrangements is that there should be no central coordination. On the other hand, some might fear that in these circumstances there would be a proliferation of specialised courses involving 'unnecessary duplication'. It seems unlikely, however, that institutions will rush into new courses unless there is a clear demand for them at fees which cover costs. Medicine may be a special case, but the creation of a new medical school requires commitments from state and hospital authorities and cannot occur without their approval and support. It might be noted in passing that, although DEET is involved in detailed discussions with institutions on course offerings and student numbers, it has not exercised a coordinating role: the development of some eight law schools in the last year or so and the spread of Ph.D programs in the former CAEs testify to this. The absence of coordination by a regulatory authority would, therefore, be a continuation of the present situation.

Deregulation of the kind proposed might result in some universities growing at the expense of weaker institutions. No doubt there would be shifts in enrolments among institutions. However, the possibility of gargantuan growth of one institution at the expense of its neighbours is fairly remote. The scarcity of land and capital and the high cost of servicing capital would be inhibiting factors. Moreover, it can be assumed that institutions will not wish to grow without limit. Nevertheless, deregulation may mean that some weaker institutions would not survive, but should such institutions be protected?

Conclusion

Deregulation is, I believe, our best hope for a strong independent and diverse system of universities. Five years ago I would not have argued thus. But the structural changes that have taken place since 1988 (including the elimination of very small institutions), the general shift towards deregulation in economic affairs, the fact that DEET has not been exercising a coordinating role and the availability of a mechanism for the deferment of payments of fees (HECS) have changed my mind.

We need universities that are diverse in the courses they offer, in their styles and in their emphases. We cannot hope that some 35 institutions serving more than half a million students will all be in the front rank of scholarship and research by international standards. But we can certainly expect some to be in the front rank and all to serve their students well by offering a diverse range of effective courses. Thus should we lay the foundation for an educated community, a skilled work force and a body of distinguished scholars and scientists. We need a differentiated system of higher education that will encourage innovation and respond to changing needs. In such a system the successful will prosper, the less successful adapt and the system as a whole will serve its intrinsic mission to conserve, transmit and extend knowledge.

Our institutions of higher education have over the past five years or so been pressured to conform to policies laid down by the central government. These have been expressed in a flood of reports, policy papers and ministerial statements to which the institutions have been expected to respond. These policies have generated much uncertainty and many tensions and some have done great damage. However, they have produced some positive results and they have established conditions which will facilitate the deregulation of higher education in Australia. The time has come to free our universities so that they can entirely manage, and be responsible for, their own affairs.

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FINANCING HIGHER EDUCATION

A NATIONAL PROGRAM MANAGEMENT PERSPECTIVE

Michael Gallagher

INTRODUCTION

Several matters of higher education funding policy in Australia have become the subject of political difference between the government and the Opposition at the federal level. It is in the nature of popular discourse that complexity is often reduced to simple propositions. And it is a regrettable feature of the politicisation of issues that stances are rapidly polarised and reinforced by rhetorical rigidity. Various aspects of the debate developing over higher education financing pertain to matters of ideological difference in respect of fundamental values and beliefs regarding what is worthwhile to do and how it is best achieved. Those aspects are properly addressed through the exercise of democratic choice.

Other aspects relate to matters of fact about the current policy and its administration and to proposals for implementation of alternative arrangements. There is not a clear-cut policy here but I trust you will appreciate that I am constrained professionally to address matters of administration without reflection on the merits of policy in the present context. It is a valid exercise for me to attempt to outline current arrangements and their interdependencies so that the character of the status quo and the implications of change to it can be understood. I consider it also to be valid for me to direct proponents and supporters of change to address matters of implementation.

INTERNATIONAL PERSPECTIVE

There is a discernible interest emerging internationally in the diversification of higher education delivery and financing arrangements. I would like to make some brief comments on the international developments in order to locate the Australian debate in some perspective.

The first point to make is that Australia is widely regarded to be at the forefront of a number of movements for tertiary education reform: in developing the predictability of rolling triennial funding for institutions with one-line operating budgets giving considerable devolved discretion to institutional managers; in closing the binary divide; in implementing a working system of income-contingent loans for fee-paying students; in the development of innovative technologies for learning and teaching; in pioneering an approach to quality assurance based on rewarding excellence; in performance-based funding of research using extensive peer review; and in the development of new curriculum frameworks. We should seek to retain the best of our practices in any new system of financing we might adopt.

The second point I will make for noting and return to later is that portrayals of Australian higher education as centrally, bureaucratically-controlled, instrumentalist and uniform are, like the homes of vice-chancellors, somewhat exaggerated. If the Australian system is to be seriously described in such terms how then would the French system be presented? There, academics are public servants!

If we unpack the hyperbole I suspect that what we have to debate is the best balance between planning and market approaches. It seems to me that neither is appropriate nor workable in extreme form. From an international perspective Australia is less extreme than most others.

The third point is that international interest in diverse forms of higher education delivery and financing reflects various ambitions and pressures in opening the system to accommodate rapid diversification in demand for services. It also reflects, in part, a curious consensus that the best way of acknowledging the essential pluralism of higher education is to encourage pluralism in funding it.

Advocates of funding pluralism, in particular of the adoption of quasi-market approaches in higher education include those from public funding authorities seeking to attract private sources of funds to supplement ever-constrained government fiscal capacity and to better balance the burden of costs on the basis of the flow of benefits to immediate and end users of the services.

Institutional managers and academic leaders see revenue diversity, including student fees, as a protection of institutional autonomy and, ultimately, of academic freedom. Some dilemmas in that pursuit, however, should be acknowledged: that the concept of pluralism implicit in the proposition may not be fully compatible with principles of parliamentary democracy; that a cocooned higher education system can become moribund; that too much diversity in sources of funding might result in none of the sources taking responsibility for system viability.

There are broadly two further arguments advanced for market-related funding. One relates to promoting competition within the higher education system, and between it and other suppliers of education, training and research services. The other relates to promoting student consumer influence over system offerings.

Competition to encourage institutional efficiency and responsiveness to economic and social needs can be promoted through public and/or private sector initiatives. Public financing options include tendering for services to be purchased on contract to meet prescribed criteria for specified periods: the competition can relate to the price of inputs, or the unit cost of effective outcomes, or the performance standards in institutional or faculty outputs, or some combination of those deliverables. In the Netherlands institutions are paid on a formula basis which takes account of output performance in matters such as graduation rates and dropout rates. In Denmark resources are linked to course completion rates and durations. In Britain the Universities Funding Council experimented with price-competitive tendering for student places as a basis for funding of institutions, but found the approach impracticable. Private sector initiatives, furthest developed to date in the USA and Japan, primarily involve the encouragement of private providers to add to capacity and competition in the selling of education services.

Promotion of student consumer influence seeks to turn the system from self-serving, supply-driven givens to client-serving, demand-driven responses. Not before time you might say! But Professor Gareth Williams' reflections on this are worth considering:

> The view that students are consumers raises fundamental issues about the nature of higher education. The traditional approach treated students as apprentices learning the academic trade from those who are already masters of it. This is diametrically opposed to the assumptions of the market model that academics are sellers of knowledge and that it is a matter for consumers with command over resources to decide what knowledge is worth having. Clearly, both positions have some validity. The first model depends ultimately on the professional integrity of the providers of higher education, and this has not always prevailed over professional self-interest. On the other hand, consumerism in higher education can easily result in superficiality and an excessive preoccupation with short-term benefits.

Since the introduction of HECS Australian students pay the equivalent of some 20 per cent of course costs at $2,250 per year. The question arises as to how these consumers effectively exert influence over admissions/credit transfer policies, curriculum, teaching, assessment, facilities and other matters. Presumably they have rights under contract law regarding fitness for purpose of services provided. The question arises as to the legal liability of the institution or course provider with regard to effective delivery of services offered in the prospectus in so far as they affect student outcomes. This is a potential we might expect to see tested as a more market-oriented approach evolves.

Conversely, the student is but one of the stakeholders in higher education. It is to be asked whether a system based on apparent consumer sovereignty might effectively disenfranchise others who contribute to the costs and are affected by the business of higher education, including employers of graduates and general taxpayers. This is to point to the longer-term purposes of higher education teaching and research and to the need for diverse forms of influence upon those activities.

Ironically in view of the concerns of those who regard current arrangements as instrumentalist, exposure to immediate consumer demands in a competitive market could induce institutions to give even greater priority to the passing fashionable. And to address quickly two other points raised in the Australian debate it should be noted that the more market-based the system the greater is the need for quality assurance and the stronger the imperative for corporate approaches to cost centre management of institutions.

AUSTRALIAN PERSPECTIVE

All source income for the Australian higher education system in 1990 totalled $4,855,175 million. HECS payments and trust fund accounted for 11.8 per cent of that total. The HECS-derived income is usually included with Commonwealth-sourced funding. When you take HECS out the following picture emerges:

- Commonwealth direct funding (DEET and others) = $3,081 million or 6 per cent;
- Student payments (HECS, fees, overseas fees) = $977 million or 20 per cent;
- State government funding = $241.7 million or 5 per cent;
- Investment income = $256.3 million or 5 per cent;
- Other (including bequests and donations) = $298.4 million or 6 per cent.

These figures do not include education income support payments of the Commonwealth to AUSTUDY/ABSTUDY recipients. I have been unable to quantify industry contributions which have been increasing in recent years and are an important source of financing pluralism.

In 1991 there were some 534,500 students enrolled in Australian higher education institutions, just over 60 per cent full time. For comparison there were some one million TAFE students, about 10 per cent full time. The appropriate balance between the sectors and their interactions are matters currently under active investigation. They have significant financing implications. Moreover there will be a need to remove impediments for students exploring diverse educational pathways across both sectors, including differences in user charging regimes.

Over the period 1983 to 1991 higher education enrolments grew by 186,000 or 53 per cent at an average annual rate of around 6 per cent.

EFTSU growth averaged 7 per cent and Commonwealth-funded load grew 5 per cent over the period. An additional one billion dollars ($985.2 million) was provided by the Commonwealth to support the growth. However the growth in EFTSU outstripped the growth in funding by an average of 2 per cent per annum and has given rise to concern about quality. This was primarily because growth between 1984 and 1989 was funded at marginal rates. Since 1989 growth has been funded at full average costs. Moreover, outlays for capital purposes have been lifted from an annual average of $67 million over 1983–87 to an annual average of $188 million over 1988–92. Commonwealth funding for research has also risen from an annual average level of $260 million over 1983–87 to $381 million per annum over 1988–92. Award course completions have risen from 70,000 in 1984 to over 94,000 in 1990 at an average annual rate of growth of 5 per cent, moving to the White Paper goal of 125,000 graduates at a faster rate than anticipated.

One can analyse commencing student and total EFTSU by field of study over the period 1983–1991 and look particularly at 1987–91 for evidence of instrumentalism. The transfer of nursing with higher education tends to distort the figures generally and the gender figures especially, as commencing students in health grew by more than four times over 1983–91 and health EFTSU almost doubled over 1987–91.

Commencing students in the arts, humanities and social sciences grew by 120 per cent over 1983 to 1991 with their share rising from 17.5 per cent to 22.6 per cent over that period. While education commencements grew absolutely their relative position declined from 22.6 per cent to 17.5 per cent. If education is put together with the arts, humanities and social sciences then that group's proportional representation has been steady over the period. So too has been science at 14.5 per cent and engineering at just under 7 per cent. Modest growth, from 18 per cent to 19 per cent (20,000 students) has occurred in the fields of business, administration and economics.

Looking at EFTSU by academic organisation unit (AOU) over 1987 to 1991 we find total growth of 40 per cent against which maths/computing rose 61 per cent, business administration economics law 50 per cent (not a helpful AOU), with the humanities and social sciences slipping relatively with 31 per cent and 38 per cent respectively and science and education diving to 22 per cent and 18 per cent respectively.

I should make a comment about diversity as its loss has been alleged. There is evidence of increasing diversity of the student population: of the many statistics, one of interest is that one third of enrolment growth over 1983–91 was accounted for by persons (predominantly women) aged over 25 years. The profiles data for 1994 show some 125 new courses proposed across most broad fields of study and across levels. Whether there is uniformity in the nature of courses within the same disciplines across institutions is a matter worthy of investigation. There has been some reduction in associate diploma offerings in higher education and generalised growth in postgraduate courses, including higher degrees by research. This prompts speculation about convergence to a pre-1987 university norm and that may be a factor. However, it would be useful to identify the nature of the student body, part of which may be the staff body seeking to upgrade qualifications for employment purposes. In fact, some movement in that direction is to be encouraged as is the need to increase the supply of academic labour. Too large or rapid a movement, however, can give rise to concern about quality.

I have left for my last comment the other key underpinning of proposals in Australia to adopt market-related approaches to higher education financing: removal of bureaucratic control. Here I must declare interest. It is possible that there are some misunderstandings of how the current resource allocation arrangements work. It also strikes me that there are some features of present arrangements that it would be prudent to retain as far as possible under any more flexible financing schemes and I would like to identify those.

Triennial funding

Rolling triennial funding offers institutions security for planning with flexibility.

System-wide planning

- what level of growth in higher education student places should the government support, taking into account such factors as projected student demand and the projected demand for graduates? and
- what level of funding is appropriate for this growth?

Student load

In estimating future demand for higher education, the chief factors taken into account are:

- population growth, which affects demand from students of all ages and at all levels (both undergraduate and postgraduate); and
- Year 12 enrolments.

Other factors also have to be considered:

- the demand for graduates in the labour force, as evidenced by their performance in the labour market, both upon graduation and over their working lives and as projected in studies of labour market demand;
- the national level of participation compared with other countries;
- the possible need to increase the provision of places to particular states or regions which may be under-provided with higher education opportunities, and where demand pressures are evident;

- the possible need to increase places to enable equity of access; and
- the impact of further increasing the level of intakes on the quality of the students who will be entering higher education.

Funding

In preparing its advice on the appropriate level of funding for growth system-wide, DEET looks at a number of things:

- the balance between undergraduate, postgraduate course-work and postgraduate research places — in recent years, the department has relied on the relative funding model for assessing the relativities between the different levels of study;
- the impact of funding decisions on the system-wide average funding rate — again, in recent years the government has sought to fund growth at a rate that would at least maintain, in real terms, the average level of funding per equivalent full-time student unit ($/EFTSU);
- the need for extra funding for particular groups. Aboriginal students attract a loading above the average funding rate for undergraduate places which acknowledges the cost of providing the extra support necessary for these students.

Planning at the state level

Broadly, two kinds of consideration apply:

- levels of current participation and demand, indicating whether a state or territory has a case for 'catch-up' growth; and
- questions of future demand.

The process involves a degree of judgement since the indicators will not necessarily all point in the one direction and they are not necessarily all of equal importance.

The measures we have used to assess the case for catch-up growth are:

- participation rates (that is, the number of students per 1,000 of each state's adult population); and
- estimates of any shortfall in the provision of student places against demand.

In relation to future demand, the principal factors taken into account are:

- expected population growth; and
- expectations about retention to Year 12.

To date, our focus has been on the inter-state allocation of growth, and we have relied on the states for assessments of regional demand. However, in future closer attention will be given to regional factors relevant to the allocation of intra-state growth.

INSTITUTIONAL PLANNING

Educational profiles

The elements of the educational profile, developed through internal institutional planning processes, are:

- a description of the institution's broad mission, together with its objectives;
- details of the institution's teaching activities for the current year together with projections for three forward years including commencements and student load;
- a submission on capital development priorities;
- an outline of current research activities and a research management plan;
- a statement of intent on measures to achieve national priorities, including equity; and
- details of other significant activities.

Not all of this information is required on an annual basis — in some areas, notably equity and research, institutions may need only to update plans and report on achievements.

If we compare this list of profile elements with the information that the Commonwealth Tertiary Education Commission's Universities Council asked institutions to include in their submissions for the 1985–87 triennium, some striking similarities are apparent.

Since 1988, a number of restrictions on institutions' use of operating grant funds have been lifted and institutions now have more flexibility in their own allocation decisions. This flexibility will be increased with the Commonwealth's proposal to incorporate capital funding in block operating grants from 1994.

Within its agreed educational profile, an institution can expand or contract existing activities and can introduce new courses of standard length without seeking Commonwealth approval. However, in considering proposals by institutions to extend their profiles, the Commonwealth has a responsibility to the public interest to seek to ensure that resources are allocated efficiently. To this end, it must subject such proposals to proper scrutiny and consider, for example:

- whether a new teaching development would result in unnecessary duplication of effort or conflict with state or territory, or Commonwealth priorities; or
- in the case of new research-based higher degree programs, whether there is recognised research strength and adequate infrastructure to support students.

In relation to proposals to establish new schools, departments or faculties, the Commonwealth takes account of such factors as:

- the views of the state or territory and any relevant professional bodies;
- demand for graduates;
- the extent to which the new school could draw upon existing strengths; and
- in the case of non-metropolitan institutions, the question of access for local students.

Profiles visits

As part of the profiles process, the Commonwealth holds discussions with each institution, usually in September or October, which focus on student load targets, on the allocation of resources for specific purposes such as equity initiatives and capital projects, and the allocation of growth for the third year of the new triennium within the parameters of announced Budget decisions. The meetings with institutions are also an opportunity for the Commonwealth and institutions to discuss system policy issues.

Student load targets

The allocation of funding for institutions' teaching activities is based on a total student load target but, in addition, institutions' planning is directed at meeting a target load for commencing students.

A number of principles underlie these targets:

- Although the annual total student load target is the basis on which funding for teaching activities is determined, there is the flexibility for minor variations from the target.
- Institutional performance against total student load target is assessed in the context of performance over a three year period.
- Where institutions exceed their annual total student load target no additional funds are provided by the Commonwealth.
- If an institution falls well short of its total student load target or consistently fails to meet it, the problem will be discussed with DEET in the annual profiles discussions. In discussion, targets and funding will be reviewed — clearly, either or both may be adjusted.
- Institutions are able to seek renegotiation of future targets and the associated funding where it is likely that they will not be able to meet their total load target because of changes in retention rates or other factors beyond their control.
- While the Commonwealth has been criticised by institutions for insisting that they meet both a total and a commencing student load target, the latter is an important means by which the Commonwealth

ensures that additional funding for growth is matched by increases in opportunities for new students.

- Institutions can now adjust their commencing load targets by up to 5 per cent below target if they anticipate that they will significantly exceed their total load targets due to circumstances beyond their control, such as an increase in retention rates.

Allocations to institutions

Following the round of discussions with institutions, recommendations are prepared on resources for individual institutions. In developing these recommendations a number of things are taken into consideration.

In allocating postgraduate places these include:

- an institution's degree of recognised research strength and level of infrastructure to support growth across the various fields of study; and
- the claims of newly developing institutions for support in building up their emerging research strengths.

In allocating undergraduate places consideration is given to:

- state views on priority regions for growth;
- demographic trends, demand, and trends in retention and participation rates in institutions' catchment areas;
- institutions' bids and justifications;
- capital implications;
- satellite campus developments; and
- the commitment of institutions to achieving equity objectives.

In allocating capital funds to institutions, the focus has been on their capacity to cater for planned enrolment growth, but other factors are also taken into account:

- the case for funding to address past enrolment growth;
- state or territory, as well as institutional, priorities;
- the quality of existing capital stock and the need for renovations or refurbishment;
- the implications of institutional mergers, for example for the rationalisation of teaching programs; and
- the need for student residences.

Overall, the distribution of capital funds between the states has been broadly consistent with their share of funded growth.

A final formal round of Joint Planning Committee meetings is held after the profiles discussions, usually in September or October, to provide the states and territories with an opportunity to comment on the allocations DEET is proposing, particularly in relation to growth and capital funding. There is also further informal discussion with institutions before final recommendations are made to the minister.

Accountability and institutional autonomy

Through a number of measures, the Commonwealth has sought to provide institutions with greater discretion in their internal funding and general administrative decision-making processes in recent years. Institutions are progressively gaining greater freedom to spend their funds according to their own priorities as they see them. As a consequence of this, and the large increases in public money which have been directed to higher education institutions in recent years, the government needs to have appropriate accountability mechanisms in place.

Although this places a reporting burden on institutions, the government is conscious of the need to strike a balance between accountability and institutional autonomy:

- HEC reports to the government in March each year on the operation of educational profiles, and consultations with institutions on profiles;
- AVCC reviews of the profiles process;
- profiles visits have been scaled down, and extensive discussions will be held less frequently in future.

The department is also progressively reviewing both its data requirements and collection methodology. It collects a range of data from institutions to assist with planning and to discharge its administrative responsibilities. These collections include information about students and teachers and a range of other data relating to agreed national priorities, including equity issues.

Consistent with discharging its responsibilities, the department is moving increasingly to an environment where the burden of centralised collection activity is reduced. We have had in place for some time now a joint working party with the AVCC to address these issues and for the future we have recently begun to build on and extend those processes of consultation with the system to address a wide range of issues which still demand attention.

The funding report

The minister announces details of the government's decisions on allocations to each institution generally in November in the annual higher education funding report.

FUNDING OF AUSTRALIAN UNIVERSITIES

FUTURE DIVERSITY AND ADVERSITY?

Gordon Stanley*

Universities in Australia, as elsewhere, are complex organisations requiring major funds to sustain their activities. In the 1970s the Commonwealth government assumed the major responsibility for their funding. However in the 1990s with increased demand for growth and pressures for restraint in government spending alternative sources of funds need to be sought. This chapter looks at the economic rationale for funding, the history of funding in Australia, contemporary sources of funds, and considers future trends.

At different times government funding of higher education has been presented as an economic issue, a political issue, an equity issue and as a fundamental right in a democratic society (McCarthy & Hines 1986). While being all of these, the economic rationale appears to be most salient in contemporary debates about higher education.

THE ECONOMIC RATIONALE FOR UNIVERSITY FUNDING

Since the second world war there has been great growth in university provision in most modern societies. This growth has been argued as a necessary aspect of modernisation and restructuring and essential for economic wellbeing. Sir Christopher Ball (1991) has pointed out that the argument for the economic role of higher education

> is something of a Morton's Fork: *either* advanced education makes a significant contribution to economic success — in which case a government is surely justified in intervening to ensure that it functions effectively; *or* it does not — in which case its claim on public funding is severely weakened (Ball 1991, 118).

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* The views expressed in this paper are those of the author and should not be taken as representing those of the Western Australian Higher Education Council or of the government of Western Australia.

The case for a significant contribution to the economy has been made by Australian universities in their submissions to government. However I am sure that many Australian academics would disagree with Ball's assertion that as a result governments are 'surely justified in intervening' to ensure effective functioning of universities. However universities are not immune from changes in standards of public accountability which are occurring more generally in the community. Governments have taken the economic justification for expanding universities very seriously. Given the large sums involved (the Commonwealth's appropriation was $3,569 billion in the fiscal year 1990–91) and the increasing demands on accountability for public spending, it is inevitable that increased budget appropriations are accompanied by conditions for their expenditure. In this regard universities have been treated no differently from other areas of government spending.

The modern university is an expensive institution to fund. In international comparisons of universities and systems of higher education one feature is common: namely that they have been dependent both directly and indirectly on government funding. While the nature and extent of funding and the degree of fiscal control exerted by governments has varied, universities always received special treatment in terms of appropriations or tax concessions.

In the recent past major growth in the higher education sector has been largely funded by governments. Even in Japan and the US where there is a considerable private university sector, there is a reliance by such universities on governments for tuition grants to students and loan guarantees, as well as infrastructure grants for research.

A large growth in higher education in Japan was accommodated by the private sector, but in 1971 government subsidies were introduced to assure solvency and uphold standards (Geiger 1987, 104). In the US the percentage share of the students and of the expenditure of funds by private institutions has continued to drop throughout the twentieth century. From a high of 62 per cent of all students in 1900, the percentage dropped to 22 per cent in 1982 (McCarthy & Hines 1986).

The issues involved in the funding of a mass system of higher education are being faced in a number of contemporary societies. The recent expansion of universities has created additional funding problems for governments. In 1990 the OECD published a report on *Financing Higher Education: Current Patterns* in which the different national responses to the challenges of financing growth are compared. This report notes that in most OECD countries there are two opposing pressures on government funding of higher education. One pressure is towards diverting expenditure away from higher education and towards those areas supportive of an ageing population and the other is to increase both teaching and research funds to sustain economic and social development. In the context of overall restraint on public expenditure policies are likely to be directed towards greater efficiency, non-government sources of funding, and maintenance of standards (OECD 1990a, 82).

The report indicates that there is a belief that the private sector should do more to share the costs of higher education as many benefits of higher education accrue to graduates and their employers. It is also hoped that competition for funds will lead to greater managerial efficiency within universities. In general governments are seeing financial incentives as preferable to administrative intervention in getting universities to concentrate resources more sharply on national priorities (OECD 1990, 86).

It is important to put the Australian debate on higher education into this international context. In the local debate a lot of focus has been placed on 'Dawkinisation', as if the changes occurring were uniquely caused by the ambition of a strong minister of Education. Many of the changes should be seen as part of an international move to what Peter Scott (editor of *The Higher Education Times*) refers to as the 'massification' of higher education. The motivations for this process are many including concerns about international competitiveness and equity. The major motivation stems from an acceptance of the economic rationale for creating a clever and more productive workforce.

The rhetorical case for the positive economic impact of universities on the national economy has often been made by bodies such as the AVCC (1951; 1991). The economic argument is put as a self-evident proposition, usually without any supporting data. However there is a considerable body of data on the economic impact of universities. For example, the empirical case for the positive impact of universities on local, regional and national economies has been made by Bowen (1977) and Leslie and Brinkman (1988) drawing mainly on US data.

For the US economy Leslie and Brinkman (1988, 12) estimate that education overall contributes about 15–20 per cent of growth in national income with higher education accounting for about 25 per cent of that amount. Higher education makes an additional impact to the 20–40 per cent of national growth due to improvements in knowledge and its application. The direct economic benefits to the state of California from its colleges and universities is an amount equal to 8 per cent of the state's total gross product (OECD 1990b, 147). While the estimates from economic impact studies are somewhat rubbery, it is clear that a substantial impact does occur.

The economic impact of universities is not always immediate. The value added by a university education may need time to produce benefits and the time for research to produce economic dividends may be quite long. Normally the economic contribution of higher education needs to be viewed in the long term. Unfortunately managers of the economy have to deal with the short-term and the political demands to reduce government expenditure, while maintaining essential services. Such a climate produces increased public demands for shifts in priorities and for evidence of efficiency and effectiveness in expenditure. Hence as Anderson and Massy (1990) have pointed out, the nexus between higher education and the economy is bi-directional. Universities can have an effect on the economy and the economy can have an effect on the universities.

Credible arguments for funding priorities must be made. Writing from an American perspective Anderson and Massy (1990) argue that

> colleges and universities are extremely vulnerable to adverse policy decisions at the federal or state level ... too frequently higher education is perceived to be just another self-interest group. All our policies, including financial ones, can have adverse consequences in this unstable financial environment. We must be extremely cautious, in efforts to strengthen the financial bases of our institutions, not to offend public and legislative sensibilities. (Anderson & Massy 1990, 16)

In heeding such advice universities need to ensure that concerns about fiscal matters do not override the fundamental values of academic freedom and depth of scholarship on which they are founded.

Funding of universities in Australia has an interesting history which is worth a brief visit to provide the context for our consideration of contemporary funding issues and of the respective roles of different sources of funding.

FUNDING HISTORY OF AUSTRALIAN UNIVERSITIES

The establishment of the first Australian universities preceded federation and involved colonial legislation. The state universities were established as autonomous legal entities with a governing body independent of direct government control. In this sense they are technically 'private' bodies. The early relationship between government and universities appears to have been rather benign and generally supportive. There was little direct intervention except when mismanagement required it, as for example the 1902 Royal Commission into Melbourne University.

The funding of Australian universities began with state government appropriation, public benefaction and tuition fees. In 1910 the NSW, Victorian and Tasmanian government grants totalled 51,750 pounds while tuition fees contributed 53,422 pounds. Public donations at the time were reported as 'substantial' (Castles 1988, 416). One can only guess what was considered substantial. What is noteworthy is that fees represented a larger amount than the government appropriation.

By 1939 there was a total student population of 14,000. State appropriations accounted for 45 per cent, tuition 26.4 per cent[1] and endowment income 17.4 per cent of annual budget. Presumably the balance (11.2 per cent) was from other activities generating income as well as from the Commonwealth who for some years had provided special grants for research purposes.

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[1] In WA no tuition was charged and the state appropriation was greater to compensate.

After the second world war the Commonwealth provided substantial assistance to the universities under the Commonwealth Reconstruction Training Scheme which provided opportunities for returned servicemen and women to enter university. As a result of a review of the success of this scheme, and in recognition of the important role universities would play in post-war growth, the States Grants (Universities) Act of 1951 provided substantial Commonwealth recurrent money conditional on increases being made by the states. At this stage no capital assistance was provided by the Commonwealth. By 1951 the contribution of the states was 42 per cent, endowments were only 5 per cent and fees had slipped to 18.6 per cent of the recurrent budget.

Funding from 1958 to 1973 followed the Murray Committee's recommendations. Recurrent funding was a joint Commonwealth/state responsibility with the Commonwealth contributing $1 for each $1.85 of income from state government grants and tuition fees. Capital funding was on a $/$ formula and grants were approved on a triennial basis.

The procedure followed from 1951 to 1974 was that the Commonwealth, after advice, determined the sum of funds to be allocated from its own resources and from the states. While the Commonwealth influenced state educational policies through its grants power, in practice the executive authority of the states was a strong influence during this period. The state role was in agreeing to the extent of public finance according to their independent revenue capacities. States requested programs appropriate to their needs and persuaded the Commonwealth, sometimes against the advice of the Universities Commission. Clearly at times there was considerable tension between the Commonwealth and the states over their respective roles and the need to agree because of the requirements of the matching principle (Tomlinson 1982).

From the 1950s through to the 1970s the relative contributions of the states declined and that of the Commonwealth increased. Fees declined as a percentage of income and remained at about 10 per cent until the early 1970s when they began to creep up as a percentage (see Table 1).

By 1973 fees represented about 15 per cent of course costs. However due to both Commonwealth scholarships and state cadetships and teacher bursaries only 20–25 per cent of full-time students actually paid fees. For 1974 the Whitlam Government abolished fees and by agreement with the states assumed full responsibility for university funding. As a direct consequence of this, the Commonwealth role in planning was strengthened. It was no longer necessary to get a matching grant from the state. Under the new arrangement if the state objected to a Commonwealth decision it could reject the grant. Such action would be harder to justify than opposition to an expenditure that would put pressure on its own revenue.

The funding responsibility was assumed without legislative transfer of the universities to the Commonwealth. Payments were made in the form of specific purpose grants to the states under section 96 of the Australian Constitution.

Table 1
General Recurrent Funds: Source of Funds as a Percentage of Total

Year	State	Commonwealth	Endowment	Fees
1957	45.6	23.3	4.8	11.7
1967	35.2	43.8	5.2	10.5
1972	35.5	43.7	4.8	13.7

Source: Commonwealth Bureau of Census & Statistics *University Statistics* 1957, 1967, 1972.

As part of overall economic planning the Hawke Government placed an emphasis on growth in higher education. In so doing it was keeping company with the governments of most OECD nations. To help fund this expansion an element of 'user pays' was introduced in 1987 in the form of the Higher Education Administrative Charge, set at approximately 4 per cent of expenditure/student. In 1989 this was replaced with the Higher Education Contribution Scheme (HECS) set at approximately 20 per cent of expenditure/student.

Neither of these recent changes created a new source of funds for the universities directly as the Commonwealth retained control over the income. In the case of HECS offset adjustments to grants were made to take account of up-front payment by students. The significance of HECS is that it appears to have achieved a tuition charge, almost comparable in level to that paid by US students in state universities, without adverse consequences. It has created a climate of opinion where some element of user-pays in higher education is more acceptable to policy-makers.

CURRENT FUNDING SOURCES

Under pressure from the Commonwealth, and in common with overseas trends, Australian universities are exploring alternative sources of funding. These alternatives are becoming more significant in their operation. There are considerable differences between institutions in their ability and success in exploiting other sources of revenue.

Considering the sources of funds as private, state or Commonwealth, the trends since 1969 are depicted in Figure 1 which shows the percentage of funds derived from each source. With the abolition of fees and the assumption of total Commonwealth funding during the 1970s, other sources of funds were relatively small. In the 1980s a clear trend towards increasing private sources of funds is evident. The re-emergence of state money is mainly due to the transfer of nurse training from the hospitals to higher education. Victoria and Queensland also provided additional places in targeted areas to reduce demand in their states.

Table 2 presents a more differentiated picture of sources of income over the period 1969–90. It needs to be pointed out that these categories are rather broad. There is wide variation from institution to institution in the relative amounts of different categories of income. Table 3 presents some indication of the range for the 1990 data.

At present overseas full-fee-paying students and consultancies are an important source of private income, as are donations, endowments and investments. In 1990 20,000 full-fee overseas students and 5,000 part-fee students made up about 5 per cent of the total full- and part-time student population in universities. In some institutions overseas students comprised up to 15 per cent of student load and provided a significant proportion of recurrent funding.

Income sources for Australian and US universities are presented in Table 4. The US private universities charge significantly higher tuition than public universities, but government tuition subsidies and loan schemes operate to support students.

Endowment used to be a significant source of income for US private universities. From 17.9 per cent in 1939–40 it has declined to around 5 per cent of income. This not unlike the pattern for Australian universities and different from US public universities which declined from a lower base of 1.9 per cent to 0.5 per cent over the same period (see Erekson 1986, 43).

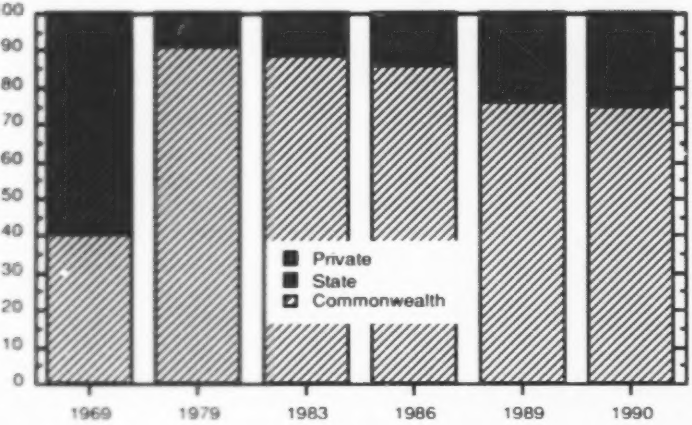

Figure 1
Australian Higher Education: Income by Source 1969–1990

Table 2
Australian Higher Education:
Income by Source 1969–1990[1]

Source	1969[2]	1979[3]	1983[3]	1986[3]	1989[4]	1990[5]
Commonwealth						
– General	40.2	86.2	82.1	78.3	70.5[8]	66.9[8]
– Other		4.8	6.6	7.2	5.9	7.8
Total	40.2	91.0	88.6	85.5	76.4	74.7
State						
– General	34.9	0.7	0.6	0.9	4.7	4
Other						
– Donations, Special Grants[6]	5.5					
– Student Fees[11]	12.5[10]				6.1	8.7
– Other Grants	0.6					
– Endowment Income, Donations	0.7	3.5	4.3	5.2	3.3	2.8
– Student Amentieis	2.1					
– Other	3.3	2.7[7]	2.3[7]	3.4[7]	4[9]	4[9]
– Investments		2.2	4.2	5	5.4	5.8
Total	24.7	8.3	10.8	13.6	18.8	21.3
TOTAL	100	100	100	100	100	100

Notes
1. This data represents universities only, with the exception of 1989 which includes CAEs
2. From Commonwealth Bureau of Census and Statistics, *University Statistics* 1969, Part 3,
3. J.S. Dawkins, *Higher Education: A Policy Discussion Paper*, Dec. 1987.
4. DEET, *Selected Higher Education Statistics* 1990. These figures are inclusive of CAEs
5. DEET, *Selected Higher Education Statistics* 1991.
6. Not specified government or non-government
7. Includes adult education, consulting, research, commercial operations.
8. Includes HECs payments
9. Includes privately funded loans.
10. Includes grants from State Government Grants Committee.
11. Includes overseas full fee-paying students.

FUTURE FUNDING AND GROWTH

The question of how large the university sector should be appears to be a reasonable one, but is not easily answerable. To a large extent the recent growth has been 'demand driven'. Given the past status and benefits associated with a university education most people would wish to have an opportunity for access to university. When one in 10 of an age cohort went to university the consequences of missing out on a place were not as immediate as when one in three of an age cohort attend. However much of the demand pressure is driven by the assumption that benefits (improved employment prospects and increased earning capacity) will continue to accrue from a university education as they did in the past and that the costs in attendance will not increase.

Table 3
Australian Universities: Income by Source and Range 1990

Source	1990%[1]	1990 Upper Range		1990 Lower Range	
Commonwealth					
– General	66.9[2]	81.1	La Trobe University	41.0	Nthn Territory Univ.
– Other	7.8	14.9	Flinders University	0.5	Charles Sturt Univ.
Total	74.7				
State					
– General	4.0	52.8	Nthn Territory Univ.	0.6	Flinders University
Other					
– Student Fees[4]	8.7	22.7	University College Southern Qld	0	Flinders University
– Endowment Income, Donations	2.8	22.7	University of WA	0	University College Southern Qld[6]
– Other	4.0[3]	20.7	Curtin University	0[5]	
– Investments	5.8	15.0	University of WA	0	University College Central Qld
Total	21.3	37.6	Curtin University	10.2	La Trobe University
TOTAL	100				

Notes: 1. DEET, *Selected Higher Education Statistics* 1991.
2. Includes HECs payments.
3. Includes privately funded loans.
4. Includes overseas full fee paying students.
5. ANU; Qld Univ. of Tech.; Monash Univ.; Univ. of NSW.
6. Bequests and donations represent 0.05% of total income.

In the future, growth is likely to be targeted more directly to participation goals. The recent Australian Education Council report on post-compulsory education and training (Finn 1991) has presented a trend scenario of growth for higher education as 17 per cent between 1991 and 2001. This figure may be modified depending on the advice of the National Board of Employment, Education and Training reference for a review of the appropriate balance of growth across the sectors. Irrespective of the outcome with respect to future growth, the ongoing funding of higher education will continue to be a major problem.

The trend towards smaller government and a more market orientation in the funding of universities is likely to continue. Hence there will be pressure to increase income from a number of sources. Some options will now be considered in turn. Each option has its own limitations in generating income and there do not appear to be any easy solutions to ensuring a continued high level of support for universities, especially in unstable economic environments.

TUITION FEES

Both the AVCC and the current federal opposition have advocated that universities should be allowed to charge full fees to Australian students over the funded quota as a means of funding growth and reducing demand. Such an opportunity may be successful for high prestige universities which are under selective pressure and in those fields of study where there are high rates of return for the individual on the investment made in fees.

In the US it has been found that students base their enrolment decisions to a considerable degree on future financial expectations. While generally overall demand for higher education is rather inelastic (Geiger 1987, 110) price does have some effect on demand especially when the employment and economic outlook is poor. When there is an oversupply of graduates, enrolments decline because individual rates of return on the investment are perceived to be less (Leslie & Brinkman 1988, 40). It is not unreasonable to assume that the Australian student will view the scene in a similar way, thus making it unlikely in the current economic climate that there would be a large Australian full-fee clientele.

One advantage of the HECS is that it does not involve a major cost to the student until future earnings are achieved. Its introduction did not appear to have any adverse effect on demand. It is an empirical question as to whether HECS could be increased further without negative effects on demand and access. With the US experience of setting fees at approximately 30 per cent of cost there may be room for an increase.

Table 4
University Income: Australia and USA by Source

Source	Australia[1]	USA – Public[2]	USA – Private[2]
Tuition and fees	14.0	15.0	39.1
– HECs	11.1		
– Overseas full fee payers	2.9		
Government	**67.6**	**57.4**	**19.8**
– Federal	63.6	10.3	16.6
– State	4.0	43.4	2.5
– Local		3.7	0.7
Other	**18.4**	**27.7**	**41.0**
Private gifts grants and contracts	2.8[3]	3.4	9.0
Endowment income		0.5	5.2
Trading income/services	11.6[4]	21.2[5]	22.6[5]
Other	4.0	2.6	4.2

Notes: 1. DEET, *Selected Higher Education Statistics* 1991.
2. US Department of Education 1987/88.
3. This figure includes Endowment income.
4. This figure includes Investment income (5.8% and other student charges (5.8%)
5. These figures include income from the teaching based hospitals in America. For public institutions, this was 41.6% of the trading income and 41.8% for private institutions.

The overseas full fee market itself may not sustain continued growth for much longer unless new markets are opened up. Although having a number of competitive advantages Australian universities are likely to face increased competition from other countries in this market. Moreover many source countries are rapidly developing their own systems of higher education. In future the market is likely to be more selective and demanding.

TRADED GOODS AND SERVICES

Traded goods and services are a relatively new development for Australian universities, though some have been involved for a long time. There are certain advantages for universities in trading operations because of their tax-exempt status. As the exemption covers income from all sources including commercial operations there is a strong incentive and comparative advantage for universities in trading goods and services. However as Marks (1988) has pointed out the tax exemption status is not immutable. If universities are in direct competition with other commercial operators, one can expect some pressures for change or restriction. Already some universities have had pressure from retailers who have been concerned about certain traded items such as computers and sporting goods. In the US there has been considerable discussion about changing aspects of the tax-exempt status of universities.

Universities are likely to be more successful in those commercial operations such as consultancies which derive directly from their particular expertise. Professional indemnity issues could emerge as an important factor in this area. Moreover hidden subsidies in the provision of these services could become an issue as the market becomes more competitive. Again experience overseas as well as here shows that not many R & D companies produce profits. Even among those that do, few sustain profits and many depend on subsidised overheads.

VOLUNTARY SUPPORT

As previously mentioned when Australian universities were founded last century voluntary support was substantial. Last century in the US, private giving was the major source of funding apart from fees. This century has seen a general decline in voluntary support. In recent decades US giving was greatest in the 1960s. From 1965–66 to 1975–76 the annual change in voluntary support was an average decrease of over 6 per cent. Since 1976 the rate of decline has lessened (Erekson 1986).

In contrast total alumni giving has grown at a compound annual rate of 9.5 per cent since 1950 (Bristol 1991). Alumni growth has been achieved largely because of a dramatic growth in number of alumni, rather than through an increase in the average gift. The average gift has declined to about $US85 (Bristol 1991).

There has been some analysis of voluntary giving in the US where approximately 50 per cent of all voluntary support is given by individuals. Giving is affected by the general state of the economy, though individual and corporate donors are somewhat differently motivated in their giving.

Leslie et al. (1983) indicated that individuals were more disposed to recognise institutional need and give during economic slack periods. Corporate donors were more tied to positive economic cycles. Coughlin and Erekson (1986) found that corporations were more influenced by institutional quality and size, whereas alumni were more influenced by their own experience of an institution. Alumni from private universities tend to donate more than from public universities (Bristol 1991).

A systematic approach to alumni giving is a recent avenue of funds being developed by Australian universities. If the US experience is any guide one would expect that the older universities would be the major beneficiaries from this form of giving. Generally an alumnus who has been out of university 25 years is more likely to give and to give a larger amount than one out 10 years (Bristol 1991). Australians do not have a strong custom of giving to public institutions, though giving to private schools has been well established.

In general voluntary funding is facilitated by tax incentives. While there has been a overall decline in unconditional donations from the corporate sector there are now a number of approaches to corporate sponsorship.

SPONSORED FUNDING.

A recent innovation in Australian higher education has been the push towards corporate or industry-funded places. 'Partnerships with industry for the joint provision of courses and equipment' was one of the alternative sources of funds listed by Minister Dawkins (1988, 30) as part of a strategy towards the encouragement of a 'more aggressively entrepreneurial approach'.

As a private source of income such programs have a number of limitations including the risk of too much corporate influence on the curriculum and the potential for influence in the selection of staff. The experience in Sweden is that 'students claim that the general study programmes at undergraduate level are treated unfairly when the institutions are eager to sell in-service training or further vocational training to companies and enterprises' (Askling 1988, 5). Similar concerns have been expressed in the UK (Kogan 1987).

At this stage the involvement of the corporate sector in the funding of Australian undergraduate and postgraduate courses is not developed enough to be able to evaluate whether misgivings overseas are justified here. Whether there are large opportunities for continued growth in this area is hard to evaluate. However there are encouraging signs that the private sector is seeing itself as needing to put more resources into training and research and development if it is to remain nationally and internationally competitive.

The introduction of the training levy has provided an important source of new money. This is more focussed in fees for short courses with a rather specific work-related emphasis. To achieve efficiency in the delivery of such courses it is likely that regular award programs will be modularised as is occurring in the UK.

THE ROLE OF THE STATES

While the states remain as the legislative and annual reporting base, their role has become less significant in the direct operation of universities. They retain an interest in the planning and delivery as well as the coordination of higher education. They have a particular interest in the relation between higher education and post-compulsory education and training. Apart from intersectoral issues, state governments have an interest in the role of universities in the local labour market and in local economic development. However, as they have no direct financial responsibility for universities one of their major concerns is to see that their state receives a reasonable proportion of funds from the Commonwealth.

Many state government departments have close working relationships with universities. Research laboratories and research and teaching positions of special interest to the state are often funded directly. Nevertheless since the Whitlam period the overall direct financial contributions from the states have been relatively small, though in recent years some states have funded student places in areas of demand or of particular concern to their state.

In Australia, Canada, and the US the states or provinces have the constitutional responsibilities for education. In all three countries there is involvement of the federal government in student aid and research funding. In the US the states play the major role in direct funding of public universities. For example in the fiscal year 1988–89, 41.3 per cent of recurrent fund revenue came from the states as against 1.9 per cent from the federal government. Recurrent fund revenue in the form of government grants and contracts produced an additional 8.4 per cent from the federal government as against 2.1 per cent from the states.

Whether or not the removal of the states from direct funding of universities as has occurred in Australia is desirable; there was no enthusiasm in the current round of negotiations on the 'new federalism' to reintroduce a state role in direct funding for recurrent expenditure. This was no doubt influenced by the current problems of state finances as well as a recognition that the present situation could not be reversed without a much bigger revenue base for the states. Acknowledging that state legislatures were not likely to hand over legislative responsibility for universities, an agreement to allow direct funding to institutions rather than via specific purpose payments to the states was negotiated. This agreement sets out the fiscal responsibility of the Commonwealth, but retains the role of the states in annual reporting and legislation.

In the recent round of discussions on the respective roles of the Commonwealth and state governments, state ministers have been concerned about the effectiveness of consultation processes in the setting of national goals by the Commonwealth. Given the strong economic role argued for the universities it is not surprising that state governments are concerned to have some say in the development of their institutions, including the nature and amount of research infrastructure to be located in their state. It was agreed that future planning was to be a joint activity within a nationally agreed framework. States were to develop state strategic plans to articulate national goals at state level. Nevertheless despite this agreement in practice it is clear that the Commonwealth as paymaster will continue to dominate the proceedings.

States have recognised the important function of universities in research and development and the importance of R & D in overall economic development. Thus the economic role and impact of universities has been a matter of direct interest to the states as part of their local economic development strategies. A number of technology parks have been established as joint state/university endeavours. Most are too new to be able to evaluate, though overseas experience has not been uniformly positive for those universities involved directly in such ventures. Several states have established development funds to assist with innovation in universities, but at present such funds represent relatively minor additional sources of income.

Most state governments have been prepared to provide additional funds to assist universities in bids under the Cooperative Research Centre Scheme. Such centres are seen as important incubators for new technologies to assist in economic development.

While states are most interested in the wellbeing and development of their universities it is very unlikely that they will be in any position to provide major additional funding unless there is a fundamental change in Commonwealth/state funding arrangements. In light of recent events it seems improbable that there will be any such changes in the forseeable future.

CONCLUSION

The funding of Australian universities has moved from an almost complete dependence on the Commonwealth in the 1970s to a more diversified funding base. The shift is significant and some universities have been more successful than others. Nevertheless it is still the case that the Commonwealth is the major source of funds and most probably will remain so. Under fiscal pressure the Commonwealth is likely to be attracted to increasing the contribution made by students and employers. Strategically a shift to greater user-pay contribution may result in a lessening of demand and act as a brake on continued growth. While such a move could lead to greater autonomy for institutions, such 'autonomy' may be more apparent than real and bring with it other pressures including greater uncertainty in income and greater competitive pressure.

Access to alternative sources of income will require considerable energy on the part of institutions. Moreover as a more market oriented approach occurs there will be greater competition for success in each of the new sources of funds. There will be a need to accommodate the different influences exerted by the suppliers of the different sources of funds. The ability to deliver a more complex array of services will place additional stress on management and on academics as the suppliers of the basic skills and services of the university.

A shift away from full government funding to a larger component of 'user-pays' will require universities to monitor customer demand and ensure appropriate pricing. Those universities without strong professional schools and well-established reputations may suffer if there is some deregulation of fees for Australian students.

History shows higher education to have been a protected activity with a high level of government support. How healthy it will be unless it continues to have such support is a matter for conjecture. Certainly those institutions which are unable or unwilling or unsuccessful in diversifying their sources of income will suffer. The simple reality is that in Australia the proportion of Commonwealth funds devoted to higher education as a proportion of GDP has continued to decline since it peaked in the 1970s (see Table 5). With the sorts of fiscal restraint currently imposed and the pressure for greater spending on vocational and workplace training, it is unlikely that this trend will be reversed to any major extent. Recent claims by the federal minister that it has been reversed need to be discounted for HECS which is not strictly Commonwealth expenditure.

With a shift to a more free market there will undoubtedly be adverse consequences for those institutions unable to compete effectively. With some noticeable exceptions the present trend appears to be that in the competition for additional funds the strong institutions are getting stronger. Diversity among our universities appears assured with increasing adversity for those unable to ensure efficient and competitive use of resources.

Table 5
Commonwealth Grants for Higher Education in Australia as a Percentage of Gross Domestic Product[1] 1975 to 1990

1975	1.36[2]
1976	1.26[2]
1977	1.30[2]
1978	1.25[2]
1979	1.19[2]
1980	1.14[2]
1981	1.10[2]
1982	1.08[2]
1983	1.08[2]
1984	1.03[2]
1985	1.00[2]
1986	1.00[2]
1987	0.99[3]
1988	0.83[3]
1989	0.75[4]
1990	0.81[4]

Notes: 1 Excludes state funding, includes capital and equipment grants and excludes HECS payments.

2 *Report of the Committee on Higher Education Funding*, April 1988.

3 ABS *Yearbook Australia 1991*, and Cat. 5510, *Expenditure on Education 1988/89*, includes personal benefit payments, Austudy.

4 1990 and 1991 DEET, *Selected Higher Education Statistics* and the Australian Bureau of Statistics.

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RESPONSE TO FINANCING HIGHER EDUCATION

Bruce Chapman

I would like to make an observation in an area in which I am not an expert. It seems to me that the whole notion that there has been a dramatic increase in control and centralisation of the higher education system over the last four years should not go unchallenged. I want to make four points, and leave these issues to others who know more about them.

The first is that in 1988 institutions used to be penalised for having over-award payments. Not only would they lose the money to finance the over-award payment, there would be an equivalent tax on top of that. That is now gone.

Second, and most importantly, is that to introduce a course change the former colleges of advanced education needed to have approval from the government. That is now gone.

Third, that there has been increased weight given to student demand in ways that was not true during the period 1973–74 and up until 1988 through the imposition of the Higher Education Contribution Scheme. So there is some market signal out there, although it is probably more blunt than is desirable.

Fourth is the issue of full-fee-paying overseas students who numbered about 20,000 in 1990, up from about 2,000 in 1988. In financial terms the orders of magnitude are around 15% of the entire budget, resources which are basically not directed by the government. It may very well be that in the context of all the other things that go on, the conclusion may still be that there is more centralisation and more control than previously. But *a priori* I think some of these issues need to be addressed before great confidence is placed in what seems to be becoming conventional wisdom.

On the economics side, I want to talk essentially about resource allocation and efficiency in the context of Peter Karmel's paper, but with some reference to be made to Gordon Stanley's work as well. I find myself in sympathy for the directions that Peter Karmel is wanting to take us. But I do not think that the case is made particularly strongly in the paper, and I want, in resource allocation terms, to allude to a couple of things. There is basically a demand and a supply side here. The demand side concerns what students want and how they respond to a particular set of prices. Normally in economics, in the short run, we talk about this concept of allocative efficiency which, in simple terms, is that prices reflect demand and supply. I think that a lot more attention needs to be placed on what these concepts mean when the prices faced by students are actually income contingent repayment of loans used to finance the charges that are normally expected to clear markets in the short run.

Let me explain why this is quite a complicated issue. Those individuals who expect to be in jobs that earn a lot of money quite quickly will be paying much more of their Higher Education Contribution Scheme than those individuals who expect not to be in jobs that pay a lot. So the set of prices in a dynamic sense (those facing students) is about their expectation of future income, and not about the short-run clearing mechanism which essentially relates to resources that will be allocated at the institutional level by the government at the time of the student's enrolment. So there is a short-run versus a long-run distinction here, which I think really needs to be analysed at some level in talking about the prospects for allocative efficiency.

A priori it is not obvious to me that expectations of future income which will condition the actual price faced by a student are those who will clear the market in the short run to give us efficient outcomes. They may very well do that, but I think analysis is certainly required on that. In this context some attention needs to be directed to the tensions raised with respect to charging full fees to overseas students, but HECS-type fees to domestic students.

On the supply side, one of the things that I find lacking in this entire debate is the question of the distribution of financial resources within the institution. The debate seems to be government here, institutions there — without anyone actually addressing what happens to the resources within a particular university. It must be extremely important to identify what the point of delivery of this service is and how it responds to the particular implications for the changing of the nature of the resource distribution between government on the one hand, and the institutions on the other.

What happens at the coal face will determine individual academic departments' responses in efficiency terms which, *a priori*, cannot be considered to be obvious in the absence of some discussion of how resources do get distributed within the universities themselves. One needs to ask the question: 'What is the appropriate efficiency unit of delivery?' Some people might argue that it is the individual academic, and others might argue that it is a particular discipline. It is not obvious to me that it is the institution as such, and the devolution of resources within it is probably fundamental to questions about whether or not changes in the makeup of the financing arrangements will have the effects which are assumed, rather than demonstrated.

There are two other points. One is my concern about the issue of offering full-fees courses to domestic students who are currently 'qualified' (I am not quite sure what this means — it changes all of the time because of the nature of the adjustment process involved in the students' secondary score). The whole question of whether or not those individuals qualified should be allowed to come in at so-called full fees is an important issue. This is a subjective and not a value free notion. In part it is conditioned by my strong support for HECS and a concern that once institutions are allowed access to resources which are in no sense targeted, there will be ways in which those institutions are able to allocate students across courses, for example, that will suit their long-term economic needs. I think we see that happening with full-fee-paying overseas students.

What this means is that we really have to spend some time exploring what the political economy implications of allowing that wedge would be. I think the political economy implications would be subtle and take various forms. But slowly there will be an undermining of a charging system which essentially offers protection. That is, HECS has no default consequences for not paying back the loan. What this implies is an important addition to Peter Karmel's analysis, which is to offer the suggestion that the government would still finance even so-called full-fee-paying students, which could be done because the majority of those monies will be repaid through the tax system. The economics of the above is not clear. Without an interest rate there will be a subsidy because not all students will pay. The point is that it would be very unfortunate if a policy of having full-fee-paying domestic students just gets tacked onto a system which potentially could have important ramifications for financing down the track, and adverse consequences for student access.

My final point relates to an issue raised in Gordon Stanley's paper. I felt that he was concerned that some of the weaker institutions will be at a disadvantage under a more competitive system. For reasons related to history, I think that will probably be the case, because reputations take a long time to establish. But there is another point here which those proponents of the market system have come to terms with, which to some extent goes some way towards meeting his needs in terms of the protection of the weak, and the so-called protection of the weaker institutions. If one wants a market system the prices and costs associated with that need to be the appropriate ones, or the efficiency benefits will not be realised.

What this means is that so long as institutions do not pay rent, and those institutions in a wonderful environment in a locational sense, such as the University of Adelaide, the University of Melbourne, and the University of Sydney — the ones that historically have the reputations — have unambiguously a significant cost advantage, unless the market mechanism and the signals there take into account the locational advantage which is manifested in the lack of the rent. If one wants to go the market way the rent issue needs to be addressed fairly explicitly; with no adjustments for locational advantage signals cannot be appropriate.

RESPONSE TO FINANCING HIGHER EDUCATION

Frank Hambly

I want to do three things — I want to comment on the government's funding of higher education and relative funding; I want to talk about alternative sources of funding; and if I have time, I will refer to some aspects of the opposition's policies or of the Karmel Scheme.

The first thing that I want to do is emphasise, as Mike Gallagher has said, that the government funding per EFTSU since 1983 has declined significantly. While the quantum of resources for higher education has increased in recent years, the government funding per EFTSU had declined by 12 per cent over the period 1983 to 1991. During this time student load has increased by 47 per cent.

While there has been a significant growth in higher education, much has been achieved with marginal funding only, and by institutions over-enrolling on their commencing and total load targets, arguably as a result of the profile process, and then carrying that unfunded load.

This has had, and is having, a deleterious affect on the quality of education provided by universities. Although very recent growth has been funded at realistic levels, the total impact of decreasing resources and increasing teaching loads, has led to a situation where staff/student ratios and pressures on staff have reached critical levels. Staff/student ratios in higher education now compare unfavourably with secondary school ratios in Australia, and with several OECD nations. I think this is a matter of grave concern. The decline in these staff/student ratios cannot help but threaten the quality of teaching and research in Australia. These are matters which the AVCC is commenting on in its response to the paper on quality issued by the HEC. You will see that the AVCC is taking a slightly different approach from both the HEC, the unions and students.

Without wishing to labour the point — improvements in teaching effectiveness and a greater production of high quality research can hardly be expected from university staff who are assuming heavier teaching loads and facing larger classes and while university libraries and facilities are grossly over-extended by increasing demand and insufficient financial resources. Further, the government's policies regarding university research have changed radically and so is the environment in which university research takes place.

The 'clawback' of research funding for allocation by the ARC has undermined significantly the already fragile infrastructure for research. At the same time, the restructuring of the system has increased dramatically the competition for research funding. There are real concerns that too radical a move to selectivity and concentration of research activities would damage the infrastructure which is vital for basic research. In view of the importance of research as part of the education process, these developments represent a threat to education quality.

I would like to turn to relative funding. During the period when the relative funding model was under development, many reservations were expressed about the use of historical expenditure data to determine cost indices. As these data were the best available to estimate discipline cost, the Vice-Chancellors' Committee supported the development of a model in order to try to achieve a fairer allocation of existing resources at institutional level.

Since the publication of the research funding model there have been increasing pressures for the future funding of higher education to be based on systematic and equitable criteria and methodology. I get many letters and complaints from academics — particularly in law and accounting — about the level of discipline funding by institution. I think this was highlighted in Russell Mathews' report on accounting. The relative funding model was intended to be used on a once-only basis. It did not meet needs-based criteria where 'needs' are defined in terms of current best practice.

Many higher education institutions have, through their own corporate planning processes, taken effective steps to reconcile funding inconsistencies and to adjust funding imbalances by shifting resources to conform with the institutions' corporate management plans. It is clear, however, that moves to introduce any change to the funding formula, including a best-practice needs based formula, would be contentious — it would generate tensions and debate throughout the sector. Nevertheless, in view of increasing pressures, the need for a clear funding model must be confronted. The development of such a model is critical in the future growth of the university system if it is to be properly and equitably funded. The implementation of microeconomic policy reform elsewhere in the economy makes it highly undesirable to continue the use of outdated, historical, average cost data as the basis for costing and funding services such as higher education.

I turn now to alternative sources of funding. The government, as part of its reform package for higher education, encouraged universities to become more entrepreneurial and to diversify their funding basis. Gordon Stanley has canvassed this in his paper. Universities have responded to the government's encouragement. They have begun to market, very vigorously, courses for overseas students on a full-fee-paying basis. They have encountered many frustrations in this through over-regulation and through the setting of minimum fees, the absence of concessions for overseas students in such areas as health care, fees for school age dependants and transport. Australia is fast becoming uncompetitive in a very competitive international market. Indeed, there are already signs of students from traditional markets turning elsewhere. There are, however, other overseas markets to be tapped, notably in some of the study abroad programs (for one semester or one year) with students coming in from the USA or the Asia Pacific region. We are working on this.

Gordon Stanley pointed out, as did David Kemp, that the AVCC has advocated the enrolment of above-quota Australian students on a fee-paying basis. I know that this has not been well received in some quarters. It has been perceived as the thin end of the wedge for fees for all. It was designed, however, to improve educational opportunity. I know all the arguments about the wealthy only gaining places, but the government rejected this proposal, although I know David Kemp likes it. I personally see some dangers in it in relation to its possible impact on the enrolment of overseas students. I figure it will be much less complicated to enrol Australian students on a full-fee-paying basis than overseas students, and I think that we might be well attracted to them. I think overseas students have contributed significantly to our universities and to our higher education system in the past, and I fear for the overseas student program if a policy of full fees for above quota Australian students is introduced.

Going back to alternative sources of funding: the universities have sought to get closer to industry — both to market their research and to undertake research on its behalf. The Business Higher Education Round Table has been established and many universities have now established consulting companies to try and interest industry in their research output. I have to say the results are not encouraging. The recently released Block report on the commercialisation of research has recommended that, by the end of 1996, each higher education institution should be required to find an amount equivalent to 5 per cent of its total Commonwealth funding for research from industry.

I think this recommendation is totally unrealistic and must be rejected by government. Experience has shown that industry does not yet have a commitment to support higher education in this country. I could go on and talk about other alternative sources of funding, including the alumni, etc., but the simple fact is that we do not have a tradition of philanthropy in higher education in Australia. So if there is to be less dependence on government for funding, higher education will have to look — like it or not — more and more to user pay-type schemes, even though this might not appeal to many.

I would like to comment on some of the things that David Kemp has said and what we know about his policies, as well as some of the things that Peter Karmel has said in his paper. The AVCC is undertaking a full and detailed examination of the opposition's policies and, whilst not complete, I might share a few things with you.

Firstly, institutional funding will be student-driven. The first thing to say is that real levels of Commonwealth funding per student must be maintained and improved globally. Discussions between David Kemp and the AVCC have indicated that there is a guarantee that a new coalition government will maintain existing levels of funding for the system. But the current amount available for operating grants will be allocated to a combination of national education awards and scholarships. There is, however, a need to clarify whether this guarantee will be for an aggregate of all funding, or for the same number of EFTSU places. Under the opposition's proposals, it could well be a guarantee of aggregate funding, but no guarantee of funding for the same number of EFTSU places.

The next thing to say is that the Australian university system must have planning stability, especially in the context of a rolling triennium. Universities require a necessary degree of forward management and planning. So it is important that the National Education Awards, to be awarded within the states, should be determined on an institutional basis within rolling triennia. Fluctuations in the number of places will make institutional planning very difficult. Universities need to know the number of places they can offer each year and the balance to be attained between undergraduate and postgraduate places. Assured funding and/or places is necessary to have stability.

The last thing I shall say is that National Education Awards will be tenurable at private institutions that have been accredited. If there is no additional funding this will, in effect, mean a withdrawal of funding from public institutions. Public institutions are going to have to come to terms with this because the principle of student-driven funding has implications for the direction of public funding away from public sector universities, in the context of the Coalition's policies. The AVCC's present policy is that private means private and that the private sector must be independent of government subsidies. This, of course, cannot be sustained under the opposition's policies.

RESPONSE TO FINANCING HIGHER EDUCATION

Vin Massaro

We have been invited in this session to look at the strengths and weaknesses of the existing funding arrangements and to examine possible future options. Our speakers have indicated that what we have is not enough and they have canvassed alternative options for solving the problem. I would like to focus on the view that insufficient funds are being devoted to higher education to enable it to perform a proper job of educating students.

We could be accused of complaining because we are never satisfied with what we have, but I believe that we have reached a crisis point in higher education funding where the quality of the product we are able to produce is being adversely affected. The confluence of a number of different factors has led us to this position:

a) *Reduction in per capita funding*. We have seen a decline in the dollar value of each student place since about 1975. Table 5 in Gordon Stanley's paper shows that expenditure on higher education as a proportion of GDP has fallen from 1.36 per cent in 1975 to 0.81 per cent in 1990 (which was actually an increase of 0.75 per cent in 1989). One can add to this the fact that in the period from 1983 to 1991, there has been a 47 per cent increase in enrolments, but a 12 per cent shortfall in real funding levels.

b) *Increase in the number and diversity of students*. During the same period of funding decline, the actual number of students has increased at a greater rate than the number of teaching staff. This has occurred at the same time as the diversity of our student populations has increased, in response to the government's access and equity policies. So the shortage of staff has been exacerbated by the fact that in times of social change, when the number of staff required to teach a greater diversity of students should have been greater, we have had to divert resources from teaching staff to remedial staff in order to avoid condemning disadvantaged students to failure. We have been asked to re-tool our industry from a customised to a mass-production one, without the necessary additional investment of resources.

c) *Declining value of the dollar due to the middle-age bulge.* As much of the growth which has occurred in our universities began in the 1960s and 1970s, and we recruited large numbers of staff in that period, we have an ageing staff. This means that the mix of staff among junior and senior levels is changing so that it is costing more to employ the same number of staff. As a further result of this phenomenon, we will soon be facing the additional costs of recruiting new staff at a time when the scarcity of qualified people will make them more expensive. I should remind you that this is an international phenomenon, affecting countries from which we have traditionally recruited staff, and in which salaries and conditions are now, on the whole, better than they are in Australia.

d) *The ending of the binary system.* The former college sector was established on the philosophy that it would be equal to, but different from, the university sector. The sectors were given different aims and objectives and there was a different cost structure for them. You will recall that essentially the college sector was to concentrate on teaching and professional training while the universities would concentrate on teaching and research. Although there was much pride in the college sector for what it had been providing, and we might have expected that diversity to continue, the ending of the binary system has brought us only a new group of universities with little in their missions to distinguish them from the pre-1987 ones. As the size of the financial pot did not increase to take account of this development, it was inevitable that we should all be asked to do more with less.

e) *Increasing class sizes.* The inevitable result of the above factors has been to lead to class sizes which our colleagues in the schools sector would not, and do not, tolerate. Although the debate on the optimum size of classes has been raging for decades in the schools area with little consensus being achieved, we can be in no doubt that class sizes in universities have been increasing; the era of the tutorial and seminar where a small group could discuss in some detail the broader issues arising from the subject matter is at an end. I believe that this change alone must affect the quality of what we are doing. We are no longer able to teach thinking processes and the skills of intellectual self-reliance, so we are no longer able to educate, but merely to instruct.

In my opinion, we have reached the stage where we cannot drive your dollar any further and we are probably producing less than excellent results with it.

The quality reference to the Higher Education Council may provide us with some useful information about what we should be aiming for, but it is doubtful that it will give us a measure of quality now. I would be worried if all we get is a set of minimum quality standards, because I am not so concerned about our ability to achieve minimum quality but about our need to strive for excellence. We should not expect our universities to do less than we expect from the Australian Institute of Sport. In the Institute we do not measure success by the number of people who can run well, but by the number who can run better than anyone else in the world. Yet I believe that there will be a compulsion in the definition of quality to determine the barely adequate and then to fund the system to achieve that end.

So more money is needed to fund the system properly. As it is becoming increasingly clear that the federal pot will not grow much more, we need to look at alternative sources. These sources include students, state governments, industry and employers, and private benefactors. We also need to look at how much we can do with the funds we can expect to generate from these sources — in other words, we need to face the fact that there is a limit to the size of the university sector if it is to be funded adequately.

In considering the size of the university system, we must also look at the role and size of TAFE, especially if we want to maintain a degree of diversity in the range of post-secondary education options. However, in doing so we should be aiming to encourage students to enrol in TAFE courses because they are seen to be useful as an end in themselves, rather than as alternative entry points for university. The minister for Education Services, Peter Baldwin, was reported in *The Australian* of 8 February 1992 as being concerned that TAFE was coming to be seen as the place to go if you fail to gain a place at university. In a thinly-veiled reference to a passage from Dante's *Inferno* he described the typical experience of children visiting manufacturing plants who are told that this is where they will end up if they fail to achieve academically. He was arguing for the establishment of courses in TAFE which would be seen as having their own prestige. One would have to agree with him, because our current obsession with credit transfer is having the effect of changing the nature of TAFE by encouraging it to develop courses which will achieve maximum university credit rather than producing the skilled technicians we so desperately need. If the situation continues at the current rate, we risk the demise of TAFE as the principal trainer of higher level technicians and we will soon have to invent a new education sector to fill the vacuum.

But to return to the point at issue, any search for additional sources of funds for universities needs to ensure that it:

- provides sufficient funds to improve our student/staff ratios so that we can provide a quality education rather than straight instruction;
- provides a stable and predictable base so that we can spend our resources on teaching and research rather than scrabbling around for

subsistence funding. As Professor Stanley has said, 'universities need to ensure that concerns about fiscal matters do not override the fundamental values of academic freedom and depth of scholarship on which they are founded';

- enables students with the ability to succeed in university to attend, irrespective of their own or their parents' financial position — HECS has managed to do this well, but we now need to develop a new and more effective living allowance scheme which will enable students to live relatively independently of their parents (the new scheme proposed in Bruce Chapman's recent *AUSTUDY: A Review* has the capacity to achieve this); and
- provides research funding and a stable funding base to cover research infrastructure to a limited number of universities chosen on the basis of their demonstrated capacity to undertake research.

Federal government funding, whichever government is in power, is unlikely to grow, as we have already been told that a Liberal/National government would only guarantee funding at existing levels, even though they propose to distribute it in a somewhat different way.

The states have tended to become involved to some extent in the funding of extra places, but this has by no means been uniform and, for example, it has not occurred at all in my state (except for the soon to be phased out state-funded nursing places). there may be some further movement in this area in future, but like Professor Stanley, I doubt that we can expect much given the states' limited financial flexibility and their current financial difficulties. It may be that some will continue to fund places in areas of high economic priority, but I do not believe that we can expect much which will alleviate the problem of diminishing per capita funding because such places would be targeted.

Industry and employers were mentioned in the *Report of the Committee on Higher Education Funding* (Wran Report, 1988) as beneficiaries of higher education and as a group which should contribute to its cost, but the government avoided the issue at the time and very little has been done since. The training levy was a good opportunity to rectify the imbalance, but I believe that it has not been a success, even though we had good examples from European countries where such industry levies have been successful. I think this source would repay another visit and could be pursued a little more vigorously. Other industry or employer contributions towards higher education have occurred through research grants, but these funds are tied to specific projects and do not go very far in improving per capita funding for students.

Professor Stanley mentioned the possibility of private benefactions, but I think that we could only hope to get some icing on the cake from such sources rather than helping with the flour and eggs.

We now come to the question of student contributions. I agree with Peter Karmel that whatever we do about the distribution of funds, we should retain HECS because it provides an avenue to higher education for students from disadvantaged backgrounds. I also believe that we will need to raise HECS to something around 30 per cent if it is to generate sufficient additional funds to improve the quality of our education.

However, this will not mean that the number of students who can enter higher education will be limitless, because the government still needs to provide the 'loans', and the sums it can spend on this will inevitably be limited. I believe that the question of full-fee Australian students is a red herring in this debate, and it would also not help to alleviate the unmet demand to any significant extent. I should say that I have always found it inconsistent that overseas students can gain places at our universities if they are prepared to pay while our own students cannot. So, in principle I am not opposed to Australian students being able to pay full fees for places. But what is not in play when we use the overseas students analogy is the availability of free places.

If full-fee Australian students were the answer to unmet demand we should be seeing a boom in interest in courses at Bond University, but that is not the case. This is because when we talk about allowing Australian students to pay full fees we are only referring to a preparedness to offer full-fee places to those students who do not gain a free place, or a place of their choice, and who are prepared to pay for the privilege of getting their first or higher preference. So, effectively, once you have eliminated those students who are so status-conscious and wealthy that they are prepared to refuse a free medicine place at NSW in order to pay for one at Sydney, and the trickle-down effect has passed through the system, we only have students at the lower end of the academic spectrum who will be left without a place and who could buy one. And these are the very students who I think we would find are unable to afford to do so.

Another question which arises with Australian full-fee students is what we would do when a student who has bought an additional place in law does better than most of his or her peers in first year. Do we then offer such students free places or do we rely on the contract under which we admitted them?

The new scheme proposed by Professor Karmel, which is a more developed version of the direction in which the opposition is heading, has much to commend it, and I agree with its general thrust, but I do have some concerns. Professor Karmel proposes the introduction of a fees scheme modified by the provision of fee remission entitlements and scholarships by the government. He further proposes that institutions should be at liberty to set their own fees. When he discusses the value of the fee remission entitlements, he canvasses three options — a flat amount, a fixed proportion of the fee charged by the institution, and a variable amount according to the fees charged. He favours the second and dismisses the first and third option, the latter on the grounds of its complexity.

I would dismiss his preferred options on the grounds of uncertainty. Under such an option Commonwealth expenditure would be in proportion to the fees charged but the Commonwealth would not be able to predict with any degree of accuracy what the scheme would cost in any year because it would not know in advance what institutions would charge for any particular course.

I would favour basing the level of the fee remission entitlements on a fixed proportion of the standard fee set by the Commonwealth for each of about five categories of courses. I would then base the value of the scholarships on the full amount of the standard fee. Institutions would still be able to charge more than the standard fee, but they would be limited by what they believe the market will bear. In the case of scholarship holders, institutions would also need to decide whether it is in their best interests to charge an amount above the level of the scholarship. In either case, I would agree with Professor Karmel that the gap should be made up through HECS.

Although Professor Karmel argues that the size of the system should be a matter for discussion, he goes on to say that the number of fee remission entitlements should 'be set at the level where there is no excess demand'. I believe that this is asking too much and it is not a commitment which any government is likely to give. Indeed, the size of the system would be the only effective control which the government would have in this deregulated environment and I would expect that it would want to retain it.

Another matter on which I would take issue with the Karmel Proposal is the assertion that the proposed system would provide financial stability for institutions. Certainly, there would need to continue to be some indication by the government about the total number of places it is prepared to fund in any year of a triennium. But beyond that, institutions would only know with any certainty about the proportion of their share of enrolments which is proposed to be guaranteed — Professor Karmel suggests about half. The remaining half could fluctuate enormously depending on decisions by neighbouring and more popular institutions about their quotas. If there were a large increase in the quota of a neighbouring institutions for a particular course, even for a period of three years, it could have the effect of destroying the same discipline in its sister institution. Professor Karmel argues that this is unlikely to occur, but I am not so sanguine having witnessed the predatory actions of some institutions when mergers were being considered.

In his question, which is related to the one above, he asks whether weaker institutions which do not survive should be protected. The answer should probably be that they ought not to be protected. But their demise might not be so easily accomplished. Nor does it follow that in some cases we would not be removing from the system quality institutions. In any case, I believe that even in a deregulated system, the answer to this question will depend on the political location of the institution concerned. We have seen many such institutions protected in the past for political expediency and I doubt that it is ever likely to be otherwise.

Part Four
The Government-Institutional Interface

THE INSTITUTIONAL PERSPECTIVE

AUTONOMY AND THE INTERFACE WITH GOVERNMENT

David Penington

INTRODUCTION

This conference continues the historical debate on the extent to which, and the manner by which, the state should exercise authority over higher education. The Australian Council of Education, and the premiers, have proposed a restructuring of the relationship between the universities and government, both state and Commonwealth. The proposals depart from the clear intent of our Constitution, as it refers to education, and therefore should not be regarded as a minor matter to be passed over lightly.

The premiers are seeking, through their discussions, to simplify jurisdiction in higher education, and especially to reduce areas of overlap. This is highly commendable. However, there are serious reservations as to whether sufficient thought has been given to the fundamental issues; the preservation of academic freedom and institutional autonomy. Accountability, like motherhood, is unassailable; however, the seamless drift from accountability to control has profound implications for academic and institutional autonomy. Funding is the principal means by which accountability is currently translated into control so that a change to the track or source of funding has very important implications for the whole system. Details of the proposed arrangements are matters about which we should be concerned, and which we must see in the broad spectrum of external influences and controls on higher education.

I would like to begin by tracing some of the issues concerning the relationship between higher education institutions and the state generally. I shall set these issues against the broader historical portrait of the relationship between academic autonomy and the state since the beginning of universities, to the present. I would then like to focus on specific issues inherent in any restructuring of the relationship between government and higher education.

Accusations that governments are abusing their financial power to trespass on academic autonomy are commonplace in western democracies. But before judgements can be made we must define more carefully what is encompassed within academic autonomy.

What is Autonomy?

> What constitutes autonomy in universities is anything but unambiguous and the patterns of autonomy which satisfy academics in different countries are very diverse (Ashby 1966, 293).
>
> The concept has been invoked in support of many contrary causes and positions. It, for example, was used to justify student activism and to repress it, to defend radical faculty and to defend their suppression, to support inquiry into admissions or promotions or tenure decisions and to deny such enquiry (Kaplan & Schrecker 1983, 6).

There is much truth in these views, the first from Eric Ashby's 1966 study, *Universities: British, Indian, African*, and the other from Craig Kaplan, the special counsel in 1981–1983 for the National Emergency Civil Liberties Committee, which has long been an advocate of academic autonomy in the United States.

Justice Felix Frankfurter, in the case *Sweezy* v. *New Hampshire* (1957) defined the '"four essential freedoms" of a university — to determine for itself on academic grounds who may teach, what may be taught, how it should be taught, and who may be admitted to study'. Frankfurter went on to say: 'For society's good, political power must abstain from intrusion into this activity of freedom, except for reasons that are exigent and obviously compelling'. This is an important comment in the debate on the relationship between the state and higher education, and I believe these 'four essential freedoms of a university' are pertinent and essential to our current case (quoted in Bok 1982, 38).

Part of the definitional problem is that academic freedom encompasses two quite different concepts: an individual's academic freedom and collective institutional autonomy. In a review in *Studies in Higher Education*, Robert Berdahl produced a succinct summary:

> **Academic freedom** is that freedom of the individual scholar in his/her teaching and research to pursue truth wherever it seems to lead without fear of punishment or termination of employment for having offended some political, religious or social orthodoxy.
>
> **Substantive autonomy** is the power of the university or college in its corporate forms to determine its own goals and programmes — if you will, the what of academe.
>
> **Procedural autonomy** is the power of the university or college in its corporate form to determine the means by which its goals and programmes will he pursued — the how of academe (Berndahl 1990, 170–1).

Autonomy is Always Compromised

The practical problem is that these principles inevitably conflict one with the other to some degree. For example, an academic's right to choose a direction for teaching is obviously subject to an institution's right to distribute finite resources towards those subjects which it has determined as forming the requirement for its degrees. Some of the most polemical statements of academic autonomy would always resolve this conflict in favour of the individual's freedom. But if this is the result then we will become the 'modern university' described by the President of the University of California, Clark Kerr:

> Hutchins once described the modern university as a series of separate schools and departments held together by a central heating system. In an era where heating is less important and the automobile more, I have sometimes thought of it as a series of individual faculty entrepreneurs held together by a common grievance over parking (Kerr 1983, 20).

A university must govern itself, resolve differences, and where necessary, impose its communal academic standards on the individual. It is well to remember that even Newman's university was:

> an assemblage of learned men, zealous in their own sciences, and rivals of each other ... brought, by familiar intercourse and for the sake of the intellectual peace, to adjust together the claims and relations of the respective subjects of investigation (Newman 1925, 101).

Unless a university is able to vouch for its own intellectual standards, it will lose the respect of the community which funds it and which it serves. Unless it has that respect, a university will be without support when governments encroach on the freedom of either the institution or individual academics.

Even when institutions present a unified front, the ideals of autonomy are inevitably liable to compromise. Like any other organisation, universities are dependent on funding to exist. The bodies which provide funding will justifiably want to see their interests at least partly furthered. The key issue is to contain interference and to protect the most fundamental freedoms.

The State Has Always Been Involved in Academia

It is now commonplace that universities are partly funded by the state. All over the world governments perceive a 'national interest' in higher education — and in shaping higher education towards particular ends. The interest of government in academia is not new.

Bologna

When Emperor Frederick I proclaimed in 1158 the Authentic *Habita* (the academic constitution of the University of Bologna) his motives were not entirely altruistic. In a review of medieval universities, Alan Cobban suggested that Frederick's actions were in part a deliberate attempt 'to promote Roman (civil) legal studies as an effective counter to the canonists,the chief propagators of papal heirocratic doctrine' (Cobban 1975, 52–3). Frederick's purpose was political: to gain academic sanction for civil and imperial authority as opposed to canon and papal authority.

Cambridge

The funding of academia by the state is not a recent development. Edward III founded King's Hall at Cambridge in 1337. The royal Treasury maintained the fellows of the college and supported many of the students for over two centuries until King's Hall was subsumed into Trinity College in 1546. Royal patronage funded a significant portion of the Cambridge community: King's Hall accounted for just under half of the college fellows at Cambridge in the fourteenth century (Cobban 1969, 45). Such royal largesse was not untainted by political motives. Cobban wrote that, 'throughout the greater part of its history [King's Hall] remained a kind of physical adjunct or supplement to the household and to the court ... It would seem very probable that this Cambridge foundation had as one of its chief aims the provision of a reservoir of educated personnel from which the king could draw to meet his particular requirements' — in particular the strengthening of the royal household administration against the incursions of the baronial opposition (Cobban 1969, 20–3).

As with the University at Bologna, royal interests also promoted the study of civil, as opposed to canon, law nourishing a 'climate of legal thought generally more favourable to the accentuation of the more theocratic aspects of kingship (Cobban 1969, 303).

Commensurate with the king's funding and political desires was the College's lack of academic autonomy. In contrast with other Oxbridge colleges, the Warden of King's Hall was not elected by the fellows but appointed by, and solely responsible to, the king. Fellows were not appointed by the college but by the king through his Privy Council. 'Throughout its history, the King's Hall remained the intensely personal and flexible instrument of the Crown' (Cobban 1969, 21).

Prussia

In more modern times the history of state funding and state interference in universities has continued. The 'progressive' reforms of William von Humboldt in Prussia were explicitly based on an assumption of state influence and control. Von Humboldt's own view was that:

> The naming of university professors must be held exclusively as the prerogative of the state. It is certainly not a good arrangement to permit the faculty more influence over this process than a sympathetic and reasonable ministry would permit as a matter of course. This

> follows since antagonism and irritation are healthy and necessary at the university, and the collision between professors that comes about through the very nature of their task can also arbitrarily twist their point of view. Furthermore, the nature of the university is too closely tied to the vital interests of the state (Fallon 1964, 385).

All too often it has been the 'vital interests of the state' which have taken precedence over academic autonomy. Within thirty years of the founding of Berlin University by von Humboldt, the *Gottengen Seven*, a group of seven professors, were dismissed and exiled from their university posts because of their public protest at the king's revocation of the Constitution of the state of Hanover (Fallon 1980, 48).

In 1898 an Assistant Professor of Physics, Dr Arons, had made several speeches advocating Social Democrat ideology. After his faculty had refused to revoke his degree the Prussian government passed a law providing that 'the deliberate promotion of social democracy purposes is incompatible with a teaching post in a royal university.' The same law made the state a co-partner with the university in awarding degrees, and Dr Arons' degree was retrospectively revoked by the state (Fallon 1980, 50).

The unwritten German conventions of *Lehrfreiheit* and *Lernfreiheit* have not protected German academic autonomy from even well-intentioned state interference. In his useful summary of the history of German universities, Daniel Fallon cited a 'carefully collated set of figures' published by a German newspaper in 1901 which showed that of 1355 professorial appointments between 1817 and 1900, 322 positions had been filled by the central Ministry of Culture against the respective faculties recommendations (Fallon 1980, 49).

Tension between state and academia is inevitable

Thus neither state funding, nor state interference, is new to academia, even in very successful academic institutions. Academics are bound to the ethic of pursuit of the truth wherever it leads. As far back as the early days of the Universities of Bologna and Cambridge, governments have seen higher education institutions as the means to produce trained minds for the service of the state, but whose tendency to ferment intellectual opposition and student unrest must be suppressed.

The tension between academia and the state has, however, increased in many western countries over the past few decades as a result of changes in the nature of academia, changes in society and its attitudes, and changes to economic and political circumstances.

'Mass Education' and Changes to Academia

Much of Martin Trow's paper on 'mass education', written for the OECD in 1973, now seems prophetic. He described the transition from an 'élite' to a 'mass' higher education system, which follows the growth of tertiary enrolments from between 5 to 15 per cent of the age cohort to between 20 to 50 per cent of the age cohort. He suggested that predictable changes to the nature of higher education would result from this transition.

Trow pointed to changes in the internal governance of universities. The extra students require extra teaching staff. With increased numbers, and with an increased proportion in the academic body, junior staff gain greater political power within their institution. The different perspective of junior staff, and the increased number of people involved, tend to break down the consensus of values by which élite institutions are governed. External forces such as government are then able to claim a 'legitimate' role to step in and resolve dissent (Trow 1974, 70–1). In our own country this has been accompanied particularly by the rise of academic unionism and the importation of the language and processes of industrial relations, of 'bosses' and 'workers', of ambit claims and confrontation, into the day to day life of universities (see Penington 1991, 7–18).

In Australia in the past few years it is evident that we have been moving very much towards a mass system of higher education. The basis for a mass system was laid in the 1960s with the creation of the Colleges of Advanced Education following the Martin Committee Report. Since the binary system has been abandoned there has been strong pressure for uniformity linked with the movement to mass higher education. This has involved the diversion of funds to the former college sector to encourage Ph.D studies and the development of fundamental research in these new universities. Whilst *equity is* a value-laden term that no-one in Australia dares to challenge as a necessary ideal, it is nonetheless being used as a justification for *levelling* in higher education. This must inevitably diminish the country's capacity to provide the highest quality of education and research for the most able students and graduates, in order to validate the assertion that mass higher education of the 'highest quality' is available to all.

The decline of collegial self-governance is exacerbated by the rise of professional managers in 'mass' institutions. As student numbers increase, academics have increasing difficulty in operating as part-time 'amateur' managers. Responsibility for management, in many institutions, has increasingly been devolved to senior academics on a full-time basis, or even to full-time professional managers with limited academic experience. Associated with this is a greater polarisation between employers and employees in hitherto collegial institutions, linked with an increasing influence of academic union activity. There is much greater opportunity for government to influence a professional manager removed from the 'ground level' of the institution, rather than a part-time administrator still involved in active teaching and research (Trow 1974, 68).

Trow pointed to changes in external employer attitudes which accompany 'mass education'. As an increased proportion of their employees are tertiary trained, employers become more interested in the content of curricula, and more interventionist in their demands. There are then strong pressures for courses to be more 'vocational' and less 'liberal'. An alliance between employers and government in this area can then become a powerful force for intervention, and is relevant to issues of planning controls.

There has also been a shift in the research component of higher education. The nature of research has been fundamentally altered by the explosion of learning, increasing specialisation and the growth of 'big science'. As costs for research infrastructure escalate, governments become reluctant to fund every academic to undertake research. Governments then arrogate the right to select, through central granting bodies, those academics who will be funded for research. Alliances between government and industrial employers again become a factor of great importance.

Changes to the Economic Context

The oil price shock of 1973, following the Yom Kippur war and the resultant recession, put an end to post-second world war expansionary government. Since that time in most western countries, higher education has been in a 'steady state' or contracting, due to government desires to contain growth and to reduce recurrent spending. This followed burgeoning growth in the 1950s and 1960s. In country after country the imperative of 'fiscal restraint' has bred a change in government attitudes. The result has been new orthodoxies in principles of government, such as increased accountability and public sector 'managerialism'. Growth is again occurring in Australian higher education, but now within a framework of severe economic restraint and a hightened commitment to government regulation.

Accountability

Demands for greater 'accountability' have been a feature of recent changes to higher education in many countries. But the definition of accountability is even more fluid than the definition of academic autonomy.

Donald Bligh edited a monograph entitled *Accountability or Freedom for Teachers?* Bligh's article described the 'slippery slope of accountability' from giving a voluntary account, to being formally obliged to give an account, to being required to answer specific questions, to receiving external opinions, to being required to respond to external opinions, to informally consulting with external bodies, to voluntarily doing as instructed, and to complying with those instructions (Bligh 1982, 134). The further step is to reduce funding for failure to comply. Somewhere along this scale 'accountability' slides into 'control'.

Demands for increased accountability have been part of the 'new managerialism' applied to the Australian public sector. The government has made statements such as, 'as autonomy increases so the need for accountability grows' (Dawkins 1988, 101). But if institutions are required to 'account' for their actions in response to a particular government policy, and if there are funding implications for a 'failure of accountability', *accountability* has already been translated into *control*.

Let me take a more concrete example. In February 1990 the Australian Government put out a discussion paper, *A Fair Chance for All*, which advocated 'equity in higher education', including more opportunities for disadvantaged groups to participate in higher education. I do not want to buy into the debate about balancing academic standards and equity goals. I want instead to focus on the mechanisms used to enforce the state's particular view on this question. Institutions are required to report 'Statements of Intent' and specific equity plans to the Commonwealth. Programs must be funded from existing income. Institutions are required to set goals, and strongly encouraged to nominate the percentage of students from disadvantaged backgrounds who will enter the institution. Institutions are obliged to report on the attainment of these goals. The government now states that 'future general funding allocations will have direct regard to the progress made by institutions towards achieving equity goals' (DEET 1990, 4).

Although the *end* may be admirable, the *means* employed demonstrate transition from 'accountability' to 'control'. If the state nominates the data which institutions must report, nominates the targets to be met, and imposes financial penalties for failure, then in effect institutions are controlled. The more detail demanded, the greater the degree of control.

National needs

The central policy document of Australian higher education, the White Paper, mentions 'national priorities', 'national objectives', 'national goals' and 'national needs' at least 23 times in 113 pages. The problem, of course, is that '*national* goals and priorities' inevitably mean '*central government-determined* goals and priorities'. Inevitably, incentives for pursuing and penalties for ignoring these priorities are introduced. In effect, government determines the areas for a significant portion of university teaching and research. One can do no better than quote the Universities Commission, a statutory body of the Commonwealth government, which stated in 1975 that:

> In a free society, universities are not expected to bend all their energies towards meeting so-called national objectives which, if not those of a monolithic society, are usually themselves ill-defined, or subject to controversy and change. One of the roles of a university in a free

> society is to be the conscience and critic of that society; such a role cannot be fulfilled if the university is expected to be an arm of government policy. Moreover, universities must prepare their students for life in a world the characteristics of which are necessarily imperfectly foreseen. An institution which geared its activities to known requirements could hardly provide an education appropriate to meet as yet unknown problems (Universities Commission 1975, 58).

Limiting the State

If tension between academia and government is inevitable, how can it be resolved? Most obviously, other sources of funding can be utilised. Many western governments have attempted to steer universities in this direction in recent years. Universities are urged to be more 'market oriented' and to increase industry–academia interaction. There is nothing necessarily wrong in accepting money from industry. There is nothing wrong in undertaking contract work for industry. But as Tasker and Packham from the University of Bath — itself an institution turning increasingly to industry funding — have recently said:

> it behoves a university academic not to make a Faustian contract. ... Too much work of this kind would skew research in an unacceptable way, deflecting academics from research which in the long term might be of greater value to society, if of less immediate profit to the industrial sponsor and to the university (Tasker & Packham 1990, 191).

Universities must tread a fine ethical line between financial existence and sacrificing the autonomy so vital to the essence of the university. On the other hand, we must accept the reality that education consumes a substantial portion of the national budget at a time of severe fiscal restraint. Neither government nor industry will fund universities unless a convincing case can be made that the funds are well spent. In some way or another universities will need to show that all funds are used responsibly, and for the ultimate benefit of society.

The forces of bureaucratic and political coordination in Australia have been greatly strengthened in recent years. The culture of universities has altered as they have expanded, and as we shifted from an 'élite' to a 'mass' system over the past 25 years. The changes predicted by Trow occurred.

The demand for 'democratic processes' to govern universities was part of the rebellion against authority manifested by student unrest in the late 1960s and early 1970s. Together with larger numbers of junior staff, these demands led to changes. From appointed heads of academic departments we moved to elected chairmen and elected deans of faculties in many universities. Even these were seldom given the traditional authority to make decisions and to manage affairs of their academic groups. Actions of department heads were sometimes controlled by elected committees, which frequently included academic staff members with relatively little commitment to research and hence ample time to attend meetings to discuss the minutiae of management and administration. The recent reaction to greater 'managerialism', in part due to the excesses of 'industrial democracy', has been accompanied by the rise of industrial militancy.

In his seminal essay, 'The Many Pathways of Academic Coordination', Burton Clark wrote that 'any system of academic organisation should try to achieve a balance between coordination by political, bureaucratic, academic, and market forces' (Clark 1979, 251). To these we should add the industrial and internal social mores of universities. Any review of regulation of the system should take all of these into account.

Academic Autonomy into the Future

Academic autonomy is under assault from all directions. Assault of this kind is not new. We have survived draconian intrusions into our affairs over many hundreds of years, and yet have managed to survive as fragile bastions of independent thinking from which so many features of our societies have evolved.

Control through funding by governments, by unions or by commerce and industry are ever-present threats with which we must live and which we must contain. Direct control by government in democratic societies will only be contained if we can convince the wider community that excessive control of this kind is dangerous. Only then will we be able to maintain a balance between governments' economic and political interest in universities and the community's interest in autonomous universities and independent academies.

Where universities are primarily dependent on government for funding their autonomy will be constrained. If the universities are able to depend directly on students for their funding not only are they less subservient to the government but they see their 'clients' as the students, rather than government departments. This has important implications for the culture and attitude within the universities, just as it has for the relationship between government and higher education institutions. It should be noted that the present federal government has taken the step of permitting the levying of part-fees for many postgraduate courses, but is unwilling as yet to permit this for undergraduate courses. The government refuses to allow students to pay for places, and yet it is not in a position to allocate sufficient funds to meet the full cost for these undergraduate places. *Were some relaxation permitted for part-fees undergraduate courses, using the HECS mechanism to underwrite loans, not only could we move again down the track of expansion but we would be less beholden to government and more to our students in our own planning and development.*

Ongoing change and evolution remain a constant challenge to academic autonomy. Tension between state and university is an endemic problem. But real academic autonomy is central to the nature of universities and must be defended at all costs. We must examine any proposal for change in the responsibilities of governments in the light of each of the problem areas which currently beset our institutions, their academic functions and management.

A New Look at Commonwealth/State Relations in Higher Education

Let us now look at some of the issues arising from the proposed revision of the relationships between the Commonwealth and state relating to universities.

As I have said before, the reforms of John Dawkins represent a serious incursion into the affairs of universities. We have been reshaped, rearranged and restructured over the past several years in the interests of the creation of a Unified National System with academic control largely vested in Canberra's instrumentalities, many of them not subject to direct parliamentary control.

We must be sure, as state/Commonwealth discussions and agreements proceed, that we will not be further compromised by new arrangements. Changes which simplify reporting processes and minimise duplication of data collection are in everyone's interest, but if we allow further ambiguity and the potential for overlapping jurisdictions, we will have created yet further rods for our backs and the potential for further erosion of academic autonomy.

In considering the proposed changes, it is not sufficient to look at the premiers' communiqué and say: 'but they are only saying "such and such"'. If there is within the proposals a major change in principle, the full consequences must be thought through. Further changes may, subsequently, be inevitable, whichever political party is in power, if pathways of funding change.

Specific Issues

Funding — from state to Commonwealth

The premiers have agreed that the flow of funding from the Commonwealth government to the universities be revised. Currently Commonwealth money is granted through the states, and the universities are directly accountable to the state parliaments, and to state auditors-general.

At the last Premiers' Conference, a communiqué outlined part of the agreement on new arrangements in tertiary education which is of the most import to higher education.

> Universities, funded as they are by the Commonwealth Government and having recently been redesigned and restructured by the Commonwealth, constitute an area where the accountability and transparency of that government to the electorate should be improved. This can be achieved by clarifying that universities are the responsibility of the Commonwealth. Premiers and Chief Ministers agreed that direct funding from the Commonwealth to the institutions would be appropriate.

This statement may be innocent but is not innocuous; it carries with it a whole raft of questions which could make an impact on higher education. It is fundamental and will require other major, sometimes legislative, changes to the way in which we operate in higher education. If the transfer of responsibility for funding occurs, other closely related responsibility should logically be transferred. These changes could have major consequences.

In many states, in recent years, additional funding has been provided to establish programs seen by the states as of high priority but which have not, at the time, been seen as warranting federal funds. Examples have been additional state-funded places in Victoria in the 1980s and in Queensland in recent years. Initiatives to support other state agencies, such as hospital services, courts, police, social services and agriculture have all been common and have represented part of the commitment to service of the community which is so important for higher education. Would these be less likely to develop if the funding of higher education was to be seen to be solely the responsibility of the Commonwealth? Another area of overlap is in the funding of TAFE. A number of institutions provide substantial TAFE education as well as higher education. The former remains a state funding responsibility. Is such an institution to be accountable in its financial reporting to the state or the Commonwealth?

If the states are to remove themselves from the funding process altogether, higher education institutions would need to be financially accountable to the Commonwealth. The states and the Commonwealth would need to agree that the universities would be subject to review by the Commonwealth auditor, rather than to the state auditors-general. Sufficient thought does not appear to have been given to this issue, as discussed below.

Performance indicators

The draft agreement (August 1991) notes that:

> the Commonwealth and States are expected to agree to a simplified arrangement for financial reporting. It is agreed that a set of nationally-agreed performance indicators for reporting to the Commonwealth and the States ... on the performance of higher education institutions be established by the Joint Working Group.

Performance indicators are a much vexed question in higher education. The premiers' view that a working party would come up with simple indicators, even just of financial viability, is surprisingly naive. The two-volume report commissioned by the Commonwealth in 1989, released in 1991, has hardly scratched the surface of the problem but is still highly controversial and tentative. Each state is likely to have its own view of what is necessary if indicators are to be compatible with varying state financial reporting legislation. If it took DEET two years, without state involvement, to produce so little, it is hardly likely that it will be simple to gain agreement on detail which would satisfy all state auditors. It would appear that the premiers were not well briefed on the complexities of the requirements of the machinery of their own governments.

Agreement, if it is to be achieved in a form which would simplify rather than complicate life, will require changes to legislation in each state to exclude universities from annual surveillance by state auditors-general. This is the only way in which the premiers decision could be implemented without causing yet further confusion.

University Acts

The revision of the states' and the Commonwealth's role in funding of higher education has important implications for the University Acts. Should these also be transferred to the Commonwealth?

The University Acts, which are enacted under state legislation, reflect the diversity of each institution. Each piece of legislation is different; this diversity reflects the different purposes and aims of each institution. The Unified National System has placed this diversity very much in jeopardy. Certainly the views of university governance expressed in the Commonwealth White Paper were far from compatible with the provisions of current state legislation in most instances. The imposition of a 'job lot' of Commonwealth drafted legislation on all higher education institutions in Australia, with even greater uniformity than at present, would be a major source of concern, to put it mildly, if not a source of challenge in the High Court if a constitutional amendment had not been introduced prior to the change!

A University Act reflects the character of an institution, the needs of the community of which it will be part and its role in the framework of a state's higher education structure. Such Acts contain a great amount of detail which regulates, to a large degree, their authorities and governance processes, their capacity to enter into agreements with other bodies, to own or to sell property, to borrow, to employ staff under particular conditions, and so forth. It is highly unlikely that Commonwealth officers would be able to discern and to handle these many subtleties, nor is it likely that the Governor-General, either on his own or in Council, would be appropriate to serve the various roles currently fulfilled by state governors.

Can University Acts sensibly remain as state legislation if funding arrangements are revised? Legislation, for instance, frequently provides for representatives of state parliaments to serve on the governing bodies of institutions; Commonwealth government representatives do not currently have a role in the governance of institutions. Is it logical for the government to which universities are financially accountable to have no representation on the governing body of an institution? The states and the Commonwealth must come to some agreement on this issue. It may be that state representatives can formally act on behalf of the Commonwealth, or that state legislation can provide for Commonwealth representation.

In the draft agreement (August 1991) it is noted that the

> States will continue to be responsible for the overall activities of institutions and the propriety of their operating procedures. It is, therefore, agreed that the institutions should continue to report to the State governments across all areas of their activities.

If, indeed, the states are to retain the full range of surveillance functions, how can financial reporting and assessment of 'efficiency' of an institution become the responsibility of the Commonwealth without greater confusion of role and of reporting than now exists, together with potential for conflicting decisions? The processes of audit increasingly extend into management, and financial accountability in two directions could be a recipe for absolute chaos.

Joint strategic planning

It is proposed that: 'The coordination of Commonwealth/state objectives will continue to be the responsibility of Joint Planning Committees'. This is by no means a simple or straightforward issue. The whole language of planning implies unquestioned acceptance of government regulation of academic activities. National imperatives should not control higher education in all detail; it must also be driven by academic interests, research development and market forces; these are best formulated at the institutional, or at least the sectoral, level. Who is to determine the plans? Plans only make sense against agreed objectives; who is to determine the objectives? What is the accountability of the planning process? At present, the final authority in respect of determination of matters in *educational profiles* is with the Commonwealth minister, rather than the parliament or any publicly accountable body. Is this to remain the final authority in the event of disagreement?

Industrial and related employment legislation

There is conflict between state and Commonwealth industrial legislation. If the role of the two tiers of government in relation to funding and legislative responsibilities for institutions is to be revised, there needs to be a decision on industrial legislation.

Academic staff industrial relations have already been totally subsumed into Commonwealth jurisdiction, and for states other than Victoria general staff jurisdiction has been transferred to the Commonwealth. This change seems irreversible except for the advent of enterprise agreements if, indeed, they become a reality.

If, however, industrial relations are a Commonwealth responsibility, surely other employment related matters should also come under Commonwealth legislation. Superannuation is already national, but other matters would include:

- equal opportunity and affirmative action legislation
- occupational health and safety
- workers' compensation legislation.

Freedom of Iinformation and ombudsman

What arrangements should be made for legislation relating to these important issues? The arrangements for freedom of information legislation, and the role of ombudsman, raise interesting questions in the change of responsibility of higher education. These are local matters, and this is particularly so of the role of ombudsman. They are community concerns, and therefore should, most probably, remain under state jurisdiction. However, if the tertiary sector is to be wholly financially accountable to the Commonwealth, and the states are to relinquish their administrative involvement in institutions, there is a strong argument to place responsibility for these areas with the Commonwealth also. In a national system as it now exists, government is likely to continue to press for national reporting and accountability on all levels. This is a matter which needs to be considered.

Conclusion

The move to review federal relationships in higher education is part of a wider historical context of the relations of governments with universities. It is important, as we watch developments in the Australia of the 1990s, that we recall the events which have brought us to this point. It is important that we recognise the underlying and even subtle issues which are affected by any agreement between the states and the Commonwealth, and do not treat these simply as a question of which body will provide us with funds.

Some of the changes could be positive if they simplify reporting and lines of responsibility, but as yet I see little evidence that things have been thought through to this point. We must be watchful that reporting and accountability do not slide into further control. The worst of all worlds would be dual control with conflicting authority. We must be ready to apply the brakes if we see such a process emerging.

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GOVERNANCE AND FUNDING OF HIGHER EDUCATION

Leonie Kramer

Autonomy is a complex concept, about which one can philosophise at length. Yet it is not a mere abstraction. An institution's loss of autonomy can prevent it fulfilling its mission, meeting its objectives or even functioning effectively in a harmonious atmosphere. There is no doubt that the autonomy of universities — that is to say, their ability to determine their admission policies, their mix of students, their faculty and research priorities, their staffing policies — has declined over the last twenty years. The process had begun before the implementation of the 1988 White Paper, but was dramatically asserted by that document, and indeed was an inevitable consequence of its policy statements. In its wake, a revised version of history began to be promulgated. Briefly, it is that there was no 'real' way of funding universities before the invention of the relative funding model, and that therefore the chairman of the day, whether of the Universities Commission (UC) or of the Commonwealth Tertiary Education Commission (CTEC), himself decided what the universities' funding allocations should be. This proposition is completely untrue. Indeed the irony is that the relative funding model is in essence a re-invention of the formula used by the Universities Commission and its successor in the period when I had direct knowledge of its operation — i.e. from 1973 to 1984.

It is now said that vice-chancellors would not want a Universities Commission again, because they are now able to deal directly with government. That seems to be true, but its corollary is that government can, and does, deal directly with them and the institutions they manage in a manner inconsistent with self-government. It would thus be difficult to define this new relationship as one which guarantees the autonomy of the university. If it is autonomy at all it is the kind ascribed to some regions in China, where some placatory gestures are made to the inhabitants within a general environment of restricted freedom.

The role of the Universities Commission, and later of CTEC, was not simply to recommend levels of funding for the system as a whole and for the individual institutions within it, but to act as a buffer between government (initially both at state and federal level) and the universities. It was a successful mediator between the two, and an educator of each in the curious ways of the other. It was an advocate for autonomy, while at the same time trying, by persuasion, to convince individual universities that it was in their own interests not to duplicate course offerings for small numbers of students, and not to expect the UC to solve their internal arguments about academic priorities.

Because it placed such importance upon the autonomy of the universities, the UC was always unwilling to recommend earmarked grants. I well remember Peter Karmel asking academics eager to have money dedicated to *their* special purposes whether they would argue so strongly for the same money to go to the special purposes of others. This was not a party trick. It was a conviction — shared I believe by all members of the Commission, and later, the Council — that universities preserved their autonomy by making their own decisions about academic priorities and planning, and that it was the Universities Commission's business to recommend the budget, not tell institutions how to spend it. So, while it was widely believed in the 1970s and 1980s — even by some vice-chancellors — that if the university underenrolled its budget would be cut, the fact was that there were no penalties for under-enrolment, and no rewards for overenrolment. Nor was there, as rumour suggested, a one-to-one relationship between student numbers and dollars.

Implicit in what I have said so far is an assumption that there is a direct connection between autonomy and funding. Further, it is implied that the manner of funding is just as important as its level. It *is* true that he who pays the piper calls the tune. When in 1974 the federal government took over the full funding of universities on condition that fees were abolished, thereby relieving the states of their share of the total bill, there was certainly not unqualified support for the initiative. It was argued, for example, that the abolition of fees would not extend the socioeconomic range of the student population, and that it would certainly reduce the budgetary flexibility of the universities. Both predictions turned out to be true.

Up until that time the Universities Commission, in its regular triennial visits around the universities, had dealt with the states and their higher education authorities. These dealings were sometimes tricky, and not always satisfactory. It was easy to complain about the parochialism and short-sightedness of the state higher education boards. They were not particularly comfortable with the Universities Commission and had to be persuaded that it was not bent on overriding their interests or capturing the universities which they understandably regarded as their territory. They certainly represented a layer of bureaucracy which, one could argue, was not essential to the universities, and did not contribute greatly to their development. They were, however, a symbol of the states' legal responsibility for the universities, and a reminder of the anomalous situation created by the abolition of fees and assumption of full funding by the Commonwealth, which separated funding and legal powers.

More important was the relationship between the Universities Commission and the state and federal Treasuries. The Commission called on the Treasurers in each state as part of its triennial visit to the universities. They were informed about the results of discussions with the individual universities and about their needs. Armed with knowledge of the states' willingness to support a certain level of funding for their institutions, the chairman was able to present a strong case to the federal Treasury to make an agreed total sum available. Because of the assumption of financial power by the federal government, the Universities Commission's successor, the Universities' Council, was not able to exercise the same authority, and I have a sense that this subtly changed its status in the eyes of the universities, who recognised that its recommendations were more vulnerable to government intervention than had been those of its predecessors. This was demonstrated by the rejection, in the 1975 federal budget, of the Sixth Report of the Universities Commission — the first time in the history of the Universities Commission this had happened.

We are only now beginning to realise, and perhaps for reasons of increasing impoverishment rather than principle, that multiple sources of funding are at least some guarantee against being ordered to play officially acceptable tunes for most of the time and most of the money. We now have less autonomy than we had before, and the process of gradual erosion began in 1975, when the federal government showed its financial strength. The 'coup' by Dawkins in 1988 was also an exercise in financial prestidigitation.

In summary, the Universities Commission and its successor represented academic interests and needs to government, protected the universities from direct government financial intrusion by recognising their need for autonomy in internal budgetary decisions within the total funds available, deflected some of the political criticisms aimed at universities, and educated both the institutions and government about each other's views.

Since 1988, the federal government's commitment to national objectives for higher education represents, in both recurrent and research funding, a form of direct financial intervention. Earmarked grants are back in another form, some of them rather like good behaviour bonds. There are other government requirements which make inroads on autonomy, and, incidentally, complicate the universities' administrative processes. Equity plans are one example, and recent industrial agreements another. These latter are likely to have a profound influence on the tenure and promotional prospects of junior staff.

I now turn to another aspect of autonomy which relates to the roles and responsibilities of university governing bodies. In chapter 10 of the 1988 White Paper, under the heading of Institutional Management, the nature and roles of governing bodies are redefined. It is said that the emphasis should be on the trustee aspects of their responsibilities — that is on 'setting broad directions and policies for the institution', and on monitoring and reviews. 'This approach requires', so the paper continues, 'the appointment of members who have a positive contribution to make to the development of an institution, and are clear about their role as a member of the institution's governing body'.

The White Paper asserts that size is important to the success of the governing body's performance of its combined roles of 'policy-making, accountability, review and public advocacy', and proposes as a model the board of a large private company — that is about 10–15 members. (Recent surveys of this matter have shown that members of company boards favour a smaller size still — somewhere between 8 and 12.) The White Paper points out that a body of up to 50 members 'cannot operate effectively', but that in smaller bodies there should be 'wider community involvement'.

This section exhibits a great deal of confusion about the nature and role of a governing body. It seems to propose a hybrid, somewhere between a board of trustees and a company board. What does 'wider community involvement' mean? Would such people be non-executive directors or advisers relieved of corporate responsibilities and liabilities? The preferred size of governing bodies suggests the former, but the trustee role suggests the latter.

The analogy between the university council or Senate and boards of public companies is fundamentally flawed. Under their existing Acts, no universities have the power to determine the membership of their governing bodies. They are bound by complicated rules, and end up with a medley of people appointed by government and elected by a variety of constituencies — students, staff and convocation. At one stage the New South Wales government removed the University of Sydney's power to co-opt, which was regained in respect of one member after strong representations. It is not easy to weld such a group (some of whom depart after one or two years) into the kind of body the White Paper optimistically envisages, nor to persuade some elected members that the university as a whole, rather than their specific electoral base, is their concern once they are elected.

While apparently proposing an enhanced role for the governing body, the White Paper appears to insist on a relationship between the Council/Senate and administration — or, to change the terminology, between board and management — which, if accepted, would in fact undermine its authority, and further reduce institutional autonomy. It advocates 'strong managerial modes of operation, which remove barriers to delegation of policy implementation from governing bodies to Chief Executive Officers and then to other levels, while maintaining a variety of inputs to policy determination'.

The difficulty lies in one sentence relating to the vice-chancellor or, in the new parlance, the chief executive officer.

> The government expects governing bodies to delegate clear responsibility and authority to their Chief Executive Officers to implement agreements reached with the Commonwealth, and to hold them responsible for that implementation.

That one sentence invalidates the analogy between company board and governing body on a most important point. For while it is true that a company works within the framework of government legislation and, according to its business is subject to various regulatory bodies such as the Reserve Bank, or a licensing board, or Mining Acts, the degree of detailed planning and the nature of 'the agreements with the Commonwealth' developed within DEET represent an unprecedented degree of intervention in the processes of management and administration. Autonomy surely must mean the capacity to develop policies appropriate to the institution, not merely to respond to policy developed elsewhere. Is the governing body to be, in the end, no more than a supervisor of the implementation of agreements reached at the administrative level between the university and DEET?

It is difficult — perhaps impossible — to reconcile the White Paper's concept of the restricted responsibilities of governing bodies with its declaration that 'the government's aim is to enhance the autonomy and, capacity of institutions ... It is not, as some respondents have suggested, to reduce that autonomy; nor to limit the opportunities for staff to influence institutional decisions.'

There is a further dimension to the problem if one focuses on the question of managerial as against collegial modes of management. The White Paper seems to be proposing a delegation of authority from the top down through the various layers of academic decision-making. I am not sure that it recognises the reverse process in universities, where courses of study are developed and standards of examining are set *in practice* in departments, subject to the faculty rules designed to maintain some consistency across different courses and within the degree structure.

The *collegial* importance of this process is that it includes, in some way, virtually all members of academic staff, from the most junior to the most senior. Decisions within departments can take a long time to emerge, but they do, after all, involve the most fundamental questions about the core business of a university — namely the processes of teaching and learning. By and large, these decisions hold up very well. There is an open attitude towards change, which, given the nature of knowledge itself, might not be sensational but is none the less real, and which is promoted by younger members of staff bringing their interest (and ambitions), to bear on the *status quo*.

Faculty examiners' meetings are also a test of the effectiveness of the collegial mode. While students tend to fear that their results might, in some mysterious ways, be prejudiced by bias or personal quirks of the examiners, an analysis of their performance across a range of subjects shows a remarkable degree of uniformity. Gross anomalies are rare, and usually readily explained. I mention this matter of detail because much of the emphasis in government policy and university activity since 1988 has been upon processes of financial devolution, the enlarged role of deans as budget managers, the need for performance indicators and the minutiae of profile development. These concerns have pushed the core business to the margins — or that is how it seems to many staff members toiling away in the departments, faced with growing numbers and shrinking funds. Little do they know that in large measure they have their autonomy still. It should be, for them, like feeling the freedom of anonymity in a large foreign city. If the brisk managerial mode penetrates too far down into the engine room of the university it might prove not just ineffective, but incompatible with the intricacies and practicalities of teaching and learning. Autonomy and academic freedom are distinct, but related, entities.

To sum up, the 1988 White Paper proposes a role for the governing body, which while it seems to offer autonomy, in fact requires it simply to pass on to the vice-chancellor the task of implementing government policy. Since that policy at present emerges from DEET, and reaches down in detail to admissions policy (through equity and other requirements) to distribution of resources in both teaching and research (according to government policy on national priorities), and to staffing (through industrial agreements and decisions, for example, about the required percentage of tenured senior tutors) such autonomy as universities have is severely restricted.

A test case for the survival of collegiality is the debate about quality. In announcing the White Paper 'Higher Education: Quality and Diversity in the 1990s', Mr Baldwin referred to the high quality of the Australian system, but stated that because of its reorganisation, that is to say the destruction (or rather internalisation) of the binary system, and the rapid increase in student numbers, it was now 'appropriate for the government to implement measures specifically designed to provide a degree of quality assurance'. He also declared that these measures would not be centrally directed. He went further and said that his measures would balance 'institutional autonomy with public accountability'. What he envisaged was 'a national structure', *independent of government*, to comment and report on the application and effectiveness of quality enhancement measures developed by the institutions. Some of the approaches adopted elsewhere ... would be counter to our traditions of institutional autonomy in the extent of central intervention they involve.'

That is an encouraging shift from the position taken by Dawkins in July 1988. Before that time government boards accredited courses and monitored the standards of the Colleges of Advanced Education, while universities set their own standards. Dawkins however saw their different modes of management as inconsistent with the concept of the Unified National System, and so proposed that governments should develop frameworks and procedures for course accreditation, and that there should be periodical reviews by external assessors 'including academics, employer groups and professional bodies'. In an unpublished paper Bruce Williams refers to this proposal, together with the abolition of a 'buffer funding Council', and the conditions of entry to the Unified National System as a 'planned reduction of university autonomy'.

In November 1991 the Higher Education Council published the results of its grappling with Baldwin's request for advice as to how to implement his paper. Its task was not easy — nothing related to questions of quality is. Taking account of Mr Baldwin's desire to avoid 'central intervention' the HEC proposes a structure 'independent of government', and which will 'explore options ... which, while not encroaching on the details of the academic affairs of the institutions will still allow all stakeholders to be assured of the quality of the program'. Accordingly, the HEC will focus on processes, including management processes, by which objectives are set and quality of outcomes assured. It is reasonable, the HEC argues, that 'the institutions should be encouraged to produce an accountability statement that would be public', and would attract 'constructive comment from stakeholders'.

The HEC has great difficulty in defining quality, as does anyone who tries the exercise. But it gets one particularly important matter wrong. It states that 'quality depends on judgment, and judgments often rely on ill-defined evidence and will vary according to the perspective and values of the person making the judgment'. That is a misleading and inadequate statement. Quality also depends on skill, observation, attention to detail and experience. What is the evidence for the extraordinary assertion that 'judgments often rely on ill-defined evidence'. *Often*? If this suspicion is a basis for the push for quality control (or assurance) then any structure, independent or not, which might be established to monitor the process would start from false assumptions. Universities have every reason to be anxious about yet another constraint on their powers of self-government. In any case, quality of outcomes is much more likely to be threatened by mediocrity of intakes than by inevitable but occasional errors in process.

On this matter the universities should be given credit for their existing methods of quality control. They already publish their outcomes by awarding degrees and diplomas. At postgraduate level, they normally appoint external examiners. To extend this procedure — at least for honours undergraduate courses — could well provide additional quality assurance. But we have seriously to ask whether existing academic practices really need the kind of monitoring proposed by the minister and the council. University departments have developed very good systems for examining. An extraordinary amount of care, detailed analysis, and discussion goes into the production of student results. What I have seen over the years leaves me in no doubt that in these matters academics show a very high degree of professionalism and efficiency. It is difficult to imagine what would be gained by the formation of yet another body composed of representative interested parties, such as business people or professional associations. I can, however, see a loss of autonomy which would be a serious rebuff to the professional judgments of academic staff, and the procedures they have developed to minimise error and accommodate student misadventure.

Quality is a difficult word to deal with because it encompasses such a wide range of ideas, capacities, skills and achievements. It is easy to forget that most people recognise it when they see it. When people say that something has '*real* quality' they are making not simply a subjective judgment, but an observation based on experience of a range of possibilities. In teaching and assessing it is the same. Doctrinaire concepts of quality are not imposed on students; a comparative sense of quality is derived from encountering the whole range of abilities and aptitudes. No-one who lacks professional experience of this kind can have a significant role in quality assurance; and those who have it need the autonomy to perform that difficult task with detachment.

For all its good intentions, it is difficult not to see this proposal as yet another burden on over-stressed institutions. By the end of October 1992, when a submission to the minister is due, perhaps we might expect some radical rethinking of the whole subject. There is certainly a need to distinguish between the kind of quality assurance needed to guarantee academic standards, and the quality of management and the efficiency of administrative procedures. The Higher Education Council sees an enhanced role for governing bodies in this process:

> The emphasis on self-evaluation will require the governing bodies of institutions, in particular, to play a part in ensuring appropriate accountability. In turn those who appoint and elect the membership of governing bodies have a special responsibility to ensure that the members have the skills necessary to operate effectively in this important sphere.

It is not at all clear how this latter reform might be brought about.

I began with the past as a way of clarifying the present, but as Peter Karmel has rightly said, the past is not recoverable. The future might bring a tendency towards disamalgamation. But if there continues to be a highly regulated system, some kind of buffer body will be needed to mediate between universities and government about the processes of fund allocation which have, at least in some instances, become insensitive to the issues that affect academic performance, and too preoccupied with numbers, projections and calculations. Complaints about the bureaucratisation of the system and loss of autonomy will not cease unless freedom to manoeuvre is introduced through changes in the provision of funds, so that universities can control their numbers, and their distribution as between undergraduate and post-graduate work, and as between faculties. In this way they can develop genuine plans for the future, instead of those necessarily restricted ones demanded by existing government policy.

This brings me round in a circle, back to the question of university government. Cosmetic changes to government bodies in terms of their size and responsibilities, as outlined in the 1988 White Paper, have no meaning unless those bodies have a genuine role in the development of policy. In fact, the small space accorded the discussion of governing bodies in the White Paper seems to indicate little more than a token acknowledgment of their role. That what little there is comes under the heading of 'Institutional Management' also seems to indicate lack of understanding of both the differences between governance and management and the importance of the relationship between them. Vice-chancellors have a special role in dealing with government. In their governing bodies they have, potentially, a valuable source of advice from people not preoccupied with the detailed management of the university. The last thing a governing body can afford to be is a rubber stamp for policies, whatever their origin, which might not be in the university's best interests.

One of the principal problems at present is to create administrative structures in which the managerial and collegial modes can work constructively together. There are many unresolved questions in the wake of the devolution of financial responsibilities away from central administration. Perhaps the most important is how to ensure that academic decision-makers and financial managers respect each other's domains. At present many academics are convinced that academic purposes and policies are taking a back seat while managerial imperatives (and ambitions) set the direction and speed of the journey. Governing bodies have a duty to enunciate the goals and purposes of the university, and to consider the conditions under which these can best be realised.

Their record in recent times has not been particularly good. Critiques of the Green and White Papers were, with notable exceptions, unremarkable. The Dawkins initiatives presented an opportunity for governing bodies to make the case for deregulation, and for institutional autonomy. Now, they are offered a second chance, by being asked to examine the relationship between quality, accountability and autonomy. In the post-1988 years, the methods of establishing profiles, the funding mechanisms, and the list of national priorities seem to have been developed without reference to the nature of a university, and to have assumed that its scholarly priorities are as dead as the ancient languages which now only a few perversely persist in teaching.

In all this I have assumed that autonomy is essential to a university. In the history of any university I suspect — and certainly in the University of Sydney — there have been threats to it at various times. It has been the responsibility of the governing body to resist those threats and to gather support for defence against them. It is obvious that an institution devoted to stimulating a desire to learn, to enquiring into knowledge, new and old, and to research which goes beyond the boundaries of the known world, needs to govern its own affairs. Universities are staffed by people who have been through long periods of intensive study, and are responsible to students who will, in the future, keep the processes of learning, discovery and teaching alive.

The only condition consonant with the expansive life of learning and the free exchange of ideas throughout the strange community which is a university, is an internal form of government which puts first things first. In all the tumult of the present I am sure we can find, as universities have always done, a way of preserving the best of the past, while living fully in the present and welcoming the future. That means being efficient without being officious; managing systems and academic matters as well as possible; assuring quality of academic life and of the degrees which students earn, by preserving the collegial virtues of intellectual exchange and professionalism in even the most repetitive academic duties; and being prepared to accept the burdens as well as the benefits of orderly self-government.

MANAGERIALISM, ECONOMIC RATIONALISM AND HIGHER EDUCATION

Bob Bessant

The economic imperative which has dominated federal education policy in recent years can be traced back to the election of the Hawke Labor Government in 1983. It is also directly related to the ascendancy of the economic rationalists in the federal public service who have found much in common with the New Right and the right-wing faction of the Labor Party. One of preoccupations of these groups has been the introduction of private sector management practices into the public sector and educational institutions as well as with ensuring that economic considerations are the dominant factor in determining education policy at the federal level.

This chapter is concerned with the general implications of these developments on higher education in Australia and also with examining their effects on one institution — La Trobe University. It links one of the main aspects of managerialism, that is the separation of policy determination from the operational basis, with three of those characteristics of economic rationalism which are most relevant to education.

HIGHER EDUCATION AND THE ECONOMY

In 1982 the new Cain Labor Government in Victoria set about reforming the state public service. After decades of conservative governments, Cain and his ministers had no illusions about the willingness or the competence of the bureaucracy to fulfil the government's wishes. Ministers were well aware of the frustrations, delays and the difficulties in allocating responsibility for decision-making and getting things done which had beset the Whitlam federal Labor Government, 1972–1975. Cain himself noted that the most central political relationship within and between organisations was that of control. He was concerned that his government establish an administrative framework which ensured effective political direction and accountability by using a corporate management approach (see Halligan & O'Grady 1985; Laffin 1987, 37–8). With similar concerns, after the election of the Hawke Labor Government in 1983, John Dawkins led the call for reform of the federal public service in order to reassert ministerial control and give ministers the benefit of an efficient, responsive and flexible public service.

The introduction of the management techniques of the private sector to the federal public service has been well documented, but it is worth noting the main features of the corporate management approach since they are very relevant to subsequent developments in colleges and universities (see, for example Beringer et al. 1986; Bessant 1988, 10–13; 1987–88; Blandy et al. 1985; Considine 1988; Cullen 1986, 1987; Yeatman 1987a, 1987b). It was attractive to the Labor ministers because it incorporated a clear top-down line of responsibility from minister to senior public servant down to the lowest on the scale. A special senior executive service (SES) was created to encourage competition and flexibility with open competition from outside. Emphasis was on appointees who had managerial skills or qualifications rather than expertise in a particular area. This meant they could be shifted or move from one area to another, for, as in private industry, it was not knowledge of the area or product which ensured the individual's advancement, but the managerial ability to organise production and sell the end product. Policy and operational roles were thus separated.

Corporate management was also seen clearly to link policy directions with results and to make it possible to home in on these individuals or departments where assigned tasks were not being efficiently executed. Performance indicators linked with role specifications were an integral part of the system. This was a management strategy which not only placed the end product as the paramount means of assessing the success or failure of the organisation, but also established the economic imperative (cost cutting, performance indicators etc.) as the main determinant in matters of policy and direction.

Closely associated with this change of direction for the federal public service came the rise of the economic rationalists. Michael Pusey has ably set this out in his recent book, *Economic Rationalism in Canberra*. Again it is important for the purposes of the chapter to look at some of the underlying assumptions of the economic rationalists ('free marketeers', supporters of the 'level playing field', 'neo-classical economists'), particularly in respect to education.

There are three characteristics of this approach which seem most relevant to educational institutions. They relate to the place of values and social constructs, the role of government and planning and the importance of human capital.

Economic rationalists have no time for history, philosophy or sociology. They have systematically erased the 'corporate memories' of whole departments in the federal public service. Pusey notes that

> the 'realities' that stand behind economic policy are given or discovered with the appropriate scientific procedures. They are not seen as socially constructed, nor in any way continuous or commensurate with a philosophically informed social self-understanding through which social needs, structures, and identities might be actively reappropriated in shared understandings of historical or social situations (Pusey 1991, 173).

What the economic rationalist requires for advancement in the public service is not a knowledge of the particular area which he/she happens to be in at the time, but 'an ability to develop abstract models based on an endless "stream of contingencies" that the system requires for it to create its own reality!' In this situation contacts with the 'outside world' are irrelevant. Pressure groups and vested interests expressing 'wants', 'needs' or 'goals' are seen as 'political', outside the economy and of only nuisance value (Pusey 1991, 42).

For the education sector in general this has meant that whereas previously during the 1970s and early 1980s reforms concentrated on removing inequalities, meeting needs and seeing education as a social process, the emphasis is now on education as an element of the economy. Even though Labor Party rhetoric still occasionally harks back to 'equality of opportunity' few in government have any illusions — this is dead and buried. The epitome of this was the establishment of the Department of Employment, Education and Training (DEET) with the ascension of John Dawkins to the ministry, making clear the direct relationship between education and the economy. '[T]he interconnections of phenomena are removed from the level of their historical concretion ... [and] money becomes the fate of all culture' (Simmel 1978 quoted in Pusey 1991, 175).

For the high level public service respondents in Pusey's research, a second aspect of their views on education which emerged was that they saw it solely in terms of the production of human capital. Schools, colleges and universities were seen to have failed because the outputs from these institutions were unsuited to the needs of industry and commerce. As a result of this view virtually the whole orientation of federal government education policy has been directed towards steering the education system towards the production of efficient units of human capital. An important aspect of this policy change has been the direct encouragement by governments of the extension of the period of schooling and the increase in enrolments in higher education.

The economists agree that the person with more education 'will have higher average earnings than the one with less, even if the two groups are employed in the same occupational category in the same industry' (Blaug 1987, cited in Psacharopoulos 1987, 209). Also, the public has come to understand this with the general support for the extension of the period of schooling and increased numbers in higher education. For some people who might roughly be termed 'liberal educationists' this is based on the assumption that 'the more schooling the better' will benefit the individual *per se*, but for the economic rationalists it is the dividends on the investment in human capital represented in retaining young adults in educational institutions that are the main consideration. But it is not simply a belief that more education will bring more in dollar returns to the individual. It is assumed that these returns are the result of the higher productivity of the individual. There is a widespread assumption by economists (not only of the neo-classical kind) that education brings 'progress' or 'growth'. They cite the great achievements of scientific and technical research and innovation over the last 200 years as evidence of the benefits which education brings to society as a whole:

> the role of education in growth is twofold: as a major source of the scientific, technical, economic, business and cultural skills which will make Australians better able to create and exploit opportunities in a dynamic world economy, and as a direct source of national export income (Drake & Nieuwenhuysen 1988, 100).

But the economic rationalists take this one step further and argue that the more education the individual possesses, the more productive that individual must be because that person will be more highly paid than the person with less education. It is a belief that can be traced back to Adam Smith and is closely related to the theories of the neo-classical economists. It is based on the syllogism:

> market forces will ensure that workers with the same characteristics with regard to productivity will receive the same rate of remuneration.
>
> those workers who are more productive will get more
>
> as more educated workers are generally paid more, they must be more productive (see Burke 1988).

It so happens that the professional/managerial occupational groups are highly paid therefore they must be most productive (according to the economic rationalists), whereas the lowly paid skilled and semi-skilled workers must be less productive, because of their lower wage rates.

Education is seen primarily as a contribution to productivity, not as a part of the general personal growth of the individual nor the general progress of humankind. The acquisition of skills which are seen as basic for employment in the industrial and commercial world are emphasised, and these are linked with the inculcation of appropriate habits of work, punctuality and conformity. The problem is, as the economists have discovered, that it is very difficult to prove any direct link between earnings and productivity. There are many examples of workers with the same levels and types of education earning different amounts. Also, there is little evidence in Australia and overseas of a direct link between retaining young people in educational institutions for longer periods and economic performance. There was a rise in the period between 1968–69 and 1981–82 from 24.6 per cent to 48.6 per cent in those in the workforce holding post secondary qualifications (full-time, full year) and those with degrees increased from 3.2 per cent to 8.7 per cent. However, the growth rates in GDP, GDP per head, and in average labour productivity remained much the same as in the decades before the 1960s. Nor do international comparisons help with the United States showing a poor performance in labour productivity over recent decades and yet a significant increase in graduate output (Maglen 1988).

The myth that extending the skill base through education will raise productivity in the current context and help return the country to prosperity permeates the discourse in this area. Recently Rupert Murdoch proclaimed that Australian living standards 'once probably the highest in the world', were today, 'not even within cooee of the top six'. He went on to predict that 'with luck, a minimum of careful management — and appropriate education — Australia can emerge as an economic powerhouse in what promises to be the brightest era in human history' (*The Age* 2 October 1991).

Apparently he did not see the irony in his words. In spite of the great increase in participation in education since the beginning of this century, Australian living standards have declined in relation to the main industrialised countries of the world. But mythology thrives on contradictions.

A third feature of the approach of the free marketeers was in their abhorrence of a government role in education, except in relation to the economy. Education had to be sold like any other commodity and private industry was seen to be better than the government in the role of marketing services such as education. In this they were close to those of the New Right who had for a decade been critical of state schools and the tertiary institutions and had also supported more aid for private schools. As Michael Pusey points out 'a grossly disproportionate number of young men from Australia's expensive top private schools are concentrated in some very specific locations — most notably the Treasury' (Pusey 1991, 4).

Milton Friedman, an outspoken advocate of the New Right, put it succinctly:

> How can the market be used to organise schooling more effectively ... the most radical answer is to put schooling precisely on a par with food: Eliminate compulsory schooling, government operation of schools and government financing of schools except for financial assistance to the indigent. The market would then have full rein (Freedman 1975, 272).

The free market should operate in education just as it does in the economy since government participation in either area is seen as inherently inefficient, non-competitive, bureaucratic and unresponsive to the demands of the consumers.

Ideally the New Right would like to hand over all schools and universities to private enterprise. At the moment this is politically unfeasible, but a step in that direction is to bring schools in line with the practices of industry and commerce, to make each individual educational institution a free market institution. Let them sink or swim in response to market forces just as in industry and commerce. The key requirement is not whether the schools are effectively promoting the culture of the society or broadening the understanding of the students and raising their skill levels, but whether the functional requirements of the economy are being met. If there are any 'ethics' in the free market philosophy, it is the obligation to raise productivity and to promote efficiency.

In this scenario central control in order to change schools is necessary, but central planning is not, for market forces will take care of that. Any notion of central planning is anathema to the economic rationalists. Herein lies one of the problems with their support for the extension 'willy nilly' of the period of schooling. As in previous periods of depression education has been seized upon both as a scapegoat and as one of the main devices to get the economy going again.[1] The old hobby horse which was flogged in the 1890s, 1930s and 1970s is being flogged again. But in this case it is being directly linked with human capital theory. For the economic rationalists the individual is seen as another cog of the new technology. Just as the industrialist invests in the latest machinery so does the government in people — human capital. And for the industrialist this investment is subject to market forces (not to any central planning etc.) Some investments bring in good returns, others do not. Individuals who stay in schools longer or those who increase the numbers in higher education are seen as part of this investment. The more who do this the greater the competition for the jobs at the end of the line. The greater the number for the employers to choose from. Some will succeed, others will fail. The free market at work.

ECONOMIC RATIONALISM AND THE CLEVER COUNTRY

These features of the current 'ideology' which dominate the Canberra scene have become more evident in very recent years with the recession and the drive by the federal government to cut expenditure. The 'clever country' slogan has become a focus in the politics of shifting blame for the recession away from the economic rationalists and the Labor Party politicians who have, with the help of some very free marketeering entrepreneurs, greatly contributed to the present state of the economy. The 'clever country' links the drive to raise the country's skill base with the endeavours to retain young people in schools for longer periods and to increase the numbers in tertiary institutions.

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[1] Blaming schools for the economic depression/recession, particularly in relation to the growth of unemployment, is not new. See Bessant 1988.

There has been considerable public pressure on governments to be seen to be tackling this problem. One way of coping at the political level is to keep young people out of the labour market for as long as possible. Another way has been to shift blame for youth unemployment on the lack of individual skills and the alleged shortcomings of the educational institutions, thus diverting criticism away from government inadequacies and the failure of the economic system to provide jobs.

With the downturn in the economy in the mid 1970s and the increased retention rates of the 1980s, keeping young people at school has had a dramatic impact on their rate of unemployment. The youth unemployment figures would be significantly higher if the retention rates of the 1970s still applied. As in the 1930s this has an appeal to governments sensitive to this area (see, for example, Conference on Youth–Adult Employment 1939). The very recent rediscovery by the federal government of the TAFE sector and the subsequent announcement that $130 million will be injected into TAFE by that government to provide more training places for young people, was a direct response to the growth of unemployment (*The Age* 15 November 1991). The fact that there would very likely be no jobs available for these young people when they complete their training was not the problem — the real concern here was to keep them out of the labour market for as long as possible.

The current 'clever country' slogan of the federal government is also an extension of the argument which has been frequently used by successive politicians and right-wing media commentators since the mid-1970s, that it is the lack of training and skills in the workforce that has contributed to the down-turns in the economy. From this argument it follows that by raising the skill levels with the retention of young people in educational institutions, economic recovery will be aided. Hence increasing retention rates and the numbers in universities and keeping youth unemployment levels down has gone hand in hand with the rhetoric of raising skill levels, rhetoric which has a solid base in pragmatic politics.

The argument helps to shift the blame for unemployment away from governments to the educational institutions. What Michael Apple said in 1985 of the United States aptly applies to Australia today.

> [T]he political right in the United States has been very successful in mobilizing support *against* the educational system, often exporting the crisis in the economy to the schools. Thus, one of its major victories has been to shift the blame for unemployment, underemployment,

> and the supposed breakdown of 'traditional' values and standards in the family, education and the paid workplace *from* the economic, cultural, and social policies of business and industry *to* the school and other public agencies (Apple 1988, 275; see also Burke 1987, 179–80).

In line with the outlook of the economic rationalists this approach effectively negates any broader function for education and reduces it to one of economic utility while at the same time making the rather extraordinary assumption that the deficiencies in the education system have been largely responsible for the economic decline and the rise in youth unemployment. It follows logically from this argument that 'reform' of the education system is required since its structures have failed. Hence the onslaught on state schooling and tertiary education which has characterised the 1980s. It is not industry and commerce that needs reformation, but the schools and universities.

The New Right has successfully pursued the argument that the schools and universities have failed the nation. Standards are said to be low (certainly not as high as during the childhood and youth of the critics), and demands have been made for national testing, performance indicators, etc.

This attack on the education system has also been linked with the need to devolve all care and responsibility for education to the institutions themselves. The education bureaucracies are seen to have been associated with failed education systems and must be cut to the bone, with the institutions left to themselves to compete against each other in the quest for clientele. This will ensure a 'free market' and force them to meet the needs of students, parents and the local communities (Cooper 1988, 293).

As already noted the high rate of youth unemployment is a real concern of governments. Shifting the blame on the unemployed because of their so-called lack of skills does have some political mileage in that governments can be seen to be doing something by providing training and re-training programs to enable the unemployed to find jobs. But unfortunately for this element of the 'clever country' scenario, no matter how many skills they acquire the unemployed still cannot find the jobs.

At the same time, by expanding the education system 'willy nilly', as it were, governments are meeting the public's perception of the relationship between education and training and employment. It is true that the more credentials one possesses the less likely it is that one will be unemployed. But it does not necessarily follow that more credentials will mean more highly-paid jobs and jobs requiring skills based on those credentials.

Another assumption which is seldom spelt out by the government, nor is it addressed in the recent Finn Report, is that if we can produce a highly skilled, competitive workforce our problems will be solved (Finn 1991, ix–x). The expansion of Australia's industrial production, our international competitiveness, the growth of our exports etc. will be such as to ensure jobs for these skilled workers.

Unfortunately labour market forecasts do not support this. The predictions made in recent attempts at matching the output from training institutions with the demand for labour undermine the 'clever country' rhetoric. While labour market forecasting is a very hazardous undertaking, the figures given below do cause us to question just where the 'clever country' is going.

In 1990 an extensive and detailed Labour Market Research Policy Report was produced by the Victorian government's Department of Labour which estimated the 'potential bottlenecks' in the labour market at the turn of the century. It developed and presented projections of demand for the supply of labour for 52 occupational groups covering the whole occupation spectrum in Victoria (Derody & Yueng 1990).[2]

A 27.8 per cent oversupply was predicted for professionals, teachers 30.8 per cent, health diagnostic and treatment practitioners 37.4 per cent, natural scientists 42.4 per cent, engineering, building associates and technicians 24.1 per cent and tradespersons 9.8 per cent. Undersupply was in clerks 25.1 per cent, salespersons and personal service workers 25.3 per cent, plant and machine operators and drivers 13.9 per cent and labourers 22.6 per cent (Derody & Yueng 1990, 130–3). The Report concludes:

> The cost of providing education is borne by the whole community and a balance between the right of individuals to an education of their choice (in level and field of study) and the economic benefits for the whole community has to be found, especially in these fields of study where little prospect of employment is projected.

If the predicted imbalances are realised, the Report suggests, this will lead to the 'under-utilisation of the skills existing in the work force and to the loss of job satisfaction, especially if qualified workers are forced into occupations not doing justice to their acquired skills' (Derody & Yueng 1990, 180–1).

Another recent study done at the federal level for DEET, although a great deal more circumspect than the Victorian report, raises similar concerns. The projections of this study support the notion that the workforce is gravitating to skilled occupations and will become 'more clever'. It concludes:

> Overall employment growth means most occupations will expand, apart from some lowly skilled occupations (agricultural labourers, for

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[2] This is the first stage of a project designed to forecast possible occupational mismatches in the labour market in 2000–01. The next stage concentrates on alternative scenarios.

> example), but occupations with below average skill levels tend to have fairly subdued prospects (DEET 1991, 32).

But the study raises the important question as to whether the increase in post-school qualifications among the workforce may not be a response to a demand for greater skills, but rather a response to credentialism. 'Employers may be raising minimum educational entry levels which have little relevance to the performance standards required of the job-holders ... it is important to ensure that the increase in the skill base represents a genuine improvement in the productivity of the workforce and is not simply feeding growing credentialism' (DEET 1991, 67, 73). The study concludes:

> The rapid growth in persons with qualifications, ... will exceed that necessitated by growth of the workforce and changes to the industrial and occupational structure. This raises the important challenge of ensuring that new found qualifications lead to a more productive workforce rather than merely a more credentialled workforce. Our workforce needs to become more clever, not just more credentialled (DEET 1991, 107).

Both these studies suggest that by the year 2001 we will have a more highly skilled workforce, but we may not have sufficient scope in our labour market demands for all the members of the workforce to be able to exercise their skills. Or to put it another way, there could be many thousands of over-credentialled workers in jobs which would previously have been taken up by less credentialled workers.

The above forecasts have many similarities with what is already taking place in the United States. A profile of the fastest growing occupations for the 1980s shows that they were in the low-skill and/or low-pay positions. The high-tech and skilled jobs had only a small growth factor (5–7 per cent) (Bastian et al. 1986, 5203).

Martin Carnoy suggests that the high-tech industries and high-tech occupations in the United States will create a 'significant but not massive number of new jobs over the next decade', but 'certainly not the number implied by its proponents' (Carnoy 1988, 5). Most of these jobs will not be in professional work, but in production or clerical work. What this means is that

> education will mean more for a few and less for many. Access to rewarding jobs will require greater educational attainment and proficiency, but there will be fewer chances of success even with the fullest schooling (Bastian et al. 1986, 54–5).

Thus it would seem to be problematic whether even if the drive for a 'clever country' is successful this will do anything other than provide a larger pool of highly credentialled people from which employers can select the cream. As we have seen this is quite consistent with the approach of the economic rationalists.

These developments have and are having important repercussions on universities. The second half of this chapter looks at the effects of economic rationalism and its corollary, corporate management at La Trobe University.

CORPORATE MANAGEMENT AND LA TROBE UNIVERSITY

La Trobe University was originally established with an emphasis on integrated teaching along the lines practised by some of the British universities, notably the University of Sussex. The university was organised around schools rather than departments. Within the schools it was envisaged there would be many courses and student programs taken across disciplines: the emphasis was on an interdisciplinary approach. In this the dean of each school was to have a major role in directing, teaching, research and examining (Marshall 1979, 112). But the outcome was quite different. Very quickly La Trobe became a university where the power and influence was exercised from the departments and the Board of Studies of the schools representing these departments became a very effective limitation on the power of the deans.

In the early days this gave the foundation professors, as heads of departments, effective control over the internal affairs of each school (Marshall 1979, 115). The departments became the key operational units within the university. However, as a result of the general developments in the 1970s towards greater democracy in university government, it became possible for heads of departments to become elected with the result that by the end of that decade there were many non-professorial department heads throughout the university exercising the power and influence firmly established by the original appointees in the late 1960s.

This system would have been a nightmare for the managerialist with its multitude of departments, ranging in size from less than ten members to over fifty, acting very well as independent units in their teaching and research and with minimal interference from the university's central authorities. Two developments in recent years have prepared the ground for a radical alteration to this situation and both are directly attributable to the influence of the economic rationalists in Canberra and also as a response to the general criticisms of universities which were made by the New Right in the 1980s.

La Trobe University took over the Lincoln Institute of Health Sciences from 1988. This was not a forced merger, but a mutually agreed takeover with the Lincoln Institute becoming the tenth school within the university. However, as part of this process, but by no means a necessary part, there was a major restructuring of the administrative side of the university along corporate management lines (La Trobe University 1987a).

There was no detailed rationale presented for this change from a dual structure (separation of functions between registrar/academic board and business manager/council) to a unitary structure bringing together these two strands under one administrative head (a vice principal), except that it was similar to structures being adopted in other universities in Australia and overseas. The result was the adoption of a straight top-down corporate structure with managers responsible for specific functions (staffing and secretariat, students, corporate planning and services, physical planning, finance) to the vice-principal (La Trobe University 1987a). One of the effects of this was to make it even more difficult for academics to influence administrative processes, especially as the academic administrators (deans, heads of departments) had no place in the corporate structure. But this turned out to be just what Canberra wanted, as indicated later in the Higher Education White Paper of 1988.

The second development came in October 1991 when the vice-chancellor released the *Report of a Strategic Planning Committee* which proposed a major change in the academic structure of the university. It began with the acknowledgment that the proposed changes had been forced on the university by the Dawkins reforms which had brought

> even more strident calls by the governments and their agencies for *accountability*, demands for *better teaching* and for evidence of this in the shape of so called performance indicators, insistence on detailed scrutiny of *academic profiles of institutions*, pressure for *rationalisation of offerings*, criticisms of *poor and inefficient management practices*, requests for mountains of information on every aspect of the University, interference in academic matters such as designation of positions, and sundry other obligations.

Even though there followed criticism in quite strong language of the demands of the bureaucrats ('... the bureaucratic and time-consuming aspects of the accountability process inspire disdain, if not contemptuous fury'), the rest of the 34 page document outlined how these demands were to be met along lines which were very closely tuned to the requirements of the economic rationalists (La Trobe University 1991a, 3). The discussion of this *Strategic Plan* will be confined to those aspects which illustrate a relationship between the Plan and the general approach of the economic rationalists/managerialists in Canberra as outlined earlier in this article.

As noted the economic rationalists have no time for 'corporate memory'. Apart from the economic imperative change occurs for its own sake, not for any historical reason. It is quite dangerous to ask the question 'why must this change?' because this would involve consideration of historical, social and political issues which are seen to be outside the economic imperative. Also for the corporate managers there must be constant change within their hierarchies otherwise they are not seen to be doing anything to warrant promotion to the next level. This explains to some extent why the Green and White Papers had no systematic argument or analysis setting out the rationale for change.

The La Trobe *Strategic Plan* followed this pattern. Change had to take place because this was the message from Canberra. 'We do not like it but ...!' Nowhere in the document was there any detail explaining why the existing academic structures had failed. Even if there were to be initiatives that had to be taken to ensure more 'accountability', 'rationalisation of teaching programs', and 'a modest and carefully planned reduction in the staffing complement of some academic units' (La Trobe University 1991a, 4) or to 'encourage the movement of students between Schools', as well as rationalisation of resources on administrative structures, it would appear that no one on the planning committee had asked the question why these initiatives could not be undertaken within the existing structures (La Trobe University 1991a, 14). Any attempt to answer this question would have shown that it was the collegiate culture of the university which was seen to be preventing these changes from taking place. There were too many small units (departments) with power to influence the decision-making processes of the university. These processes are slow. They allow too much say for too many interested parties. These things could be done more quickly and effectively by a top-down structure. Thus to have asked the question 'why' would have exposed one of the underlying currents of the exercise, i.e. the undermining of the collegiate culture of the university.

Also directly in line with the tactics of the economic rationalists, when enunciating the Plan the vice-chancellor declared that what he saw as the essential feature of the Plan (reducing the 10 schools to four faculties) was non-negotiable, and that it had to be approved or rejected by the Academic Board within six weeks. It was a good tactic to ensure that the academics were left squabbling over the details and not the overall intent during the busiest time of the year. This was quite in line with DEET operations since its inception where clear definitions of the parameters of a discussion were laid down and a quick decision required allowing minimal consultation. For example the Green Paper very clearly laid down the boundaries within which discussion was to occur. Fundamental assumptions were made which were not open to question. Time for discussion was limited (certainly in academic terms) and little change of any significance was incorporated in the White Paper (Dawkins 1988). This was followed by intensive and continuing pressures on universities and colleges (cost-cutting, rationalisation, profiles, statistical information, amalgamations), which not only prevented reflection on these changes and demands, but effectively demoralised and undermined the academic culture. This relates well to Michael Pusey's reference to replacing 'one modality of time with another':

> There is, simply, 'no time' to think 'more deeply' about what should be done ... The form of time that is part of all processes of 'historical concretion', and of linguistically mediated interpretations of need, is supplanted by a technological or systems time. This new time robs the future of its natural quality as a web of projections from lived human experience and transposes it instead into the flattened present of an economic systems logic in which there were once 'our' futures are now arbitrarily weighed and substituted, one with another, accordingly only to the criteria of functional equivalence in the models that are used to figure them (Pusey 1991, 181).

When the details of the *Strategic Plan* were examined it was evident that its main feature was the structural change in the academic government of the university. The previous bottom-up characteristic of the university's governance was to be replaced by the classic top-down structure favoured by DEET and in many respects modelled on what Dawkins had already done at the national level to the institutions of higher education. The 10 schools were to be reduced to four faculties (science and technology, social sciences and economics, humanities, health sciences) with each faculty headed by a dean, deputy dean and faculty board on which there would be one representative from each department or school.

Throughout the drive by state and federal governments to reform their public services and education departments, the rhetoric of 'devolution' has been prominent. Similarly with the forced mergers of the colleges and universities this was proclaimed as an important shift of power and rationalisation of resources. However, it has always been apparent that what was going on was a simplification of the top-down management structure which, while devolving many of the day to day administrative tasks to the newly merged bodies, at the same time enable central management (DEET) to exercise its authority more efficiently through a smaller number of units.

In this respect the La Trobe *Strategic Plan* followed the national pattern by recommending that 'there would be ... fewer but larger academic units with budgetary responsibility to which could be devolved a greater degree of academic decision-making and financial control' to the four faculties (La Trobe University 1991a, 15). Nevertheless the central authority would retain firm control over the general guidelines and allocations, but, hopefully, ensuring a more efficient top-down management structure.

When the rationale for this structural change was divested of the rhetoric and motherhood statements, it became clear that the four faculties, while taking over some of the functions previously held at the centre, were subsuming most of the functions previously held by the departments. The faculties were to provide a simplified 'administration and governance' by taking administrative support services away from the departments. Where departments had previously had a significant influence over staffing and budgetary matters, these decisions would now be made at the faculty level. Even the research activity of the individual departments was to be taken out of their control and supervised by the faculty with the 'creation of major research entities representing a focus for competitive research among methodologically similar subjects' (La Trobe University 1991a, 31).

At the top of the academic administrative pyramid there will be the members of the university's SES on the Vice-Chancellor's Advisory Committee (VCAC) consisting of the vice-chancellor, four deputy vice-chancellors, one pro vice-chancellor, the chief librarian, the four deans, a director of studies and the vice-principal. Compared with the existing VCAC this represents a significant shift in the balance of power from the schools (previously with 10 deans) to the SES who would now clearly be in control. Whereas under the existing arrangements there could well be (and are) a few deans who do not always agree with the SES, the new system will minimise this, especially as the SES will have a very significant input into the appointment of these new deans.

The introduction of this top-down structure will severely limit the opportunity for the individual academic to participate in the decision-making process. It is the corporate minds behind these changes which give cause for concern, for they seek to establish a 'distance' between the decision-makers and the operational units. As noted above, the corporate mind is epitomised by the economic rationalists in Canberra who are not only physically remote from the real world, but who also believe that the font of all wisdom lies in the economic imperative. Input from below is irrelevant.

> It is a vision of an idealised world in which all decisions are made by socially denatured individuals who have already in theory been 'set free' of social norms, traditions, conventions, natural obligations and social solidarities, which might stand in the way of behavioural orientation of all decisions to perfectly utilitarian criteria of costs and benefits — carrots and sticks, or in other words, the positive and negative 'sanctions' of the market (Pusey 1991, 204).

The economic imperative means that the end result of a university degree is the production of another unit of human capital ready to compete for a piece of cake in the free market. This outlook has already accelerated the direction of university teaching and research away from traditional liberal ideas of a broad general education for the betterment of the individual (even if this 'broad' education was very narrowly based, the emphasis was on its worth for the individual). Now teaching and research is to meet 'national needs' and the 'needs of the community', which, when translated mean the needs of industry and commerce. It is significant that in La Trobe's *Strategic Plan* educational issues do not get a mention until page 27 of the 34-page document.

This is a reflection of policies emanating from Canberra where it is believed that the main problem with universities is that they are not sufficiently attuned to the needs of business and industry and are not paying enough attention to teaching and research which is directly relevant to these needs. Student needs get no specific mention in the 'mission statement' of La Trobe's *Strategic Plan*. They are subsumed in 'national needs'. The only mention of students in the goals of the Plan is phrased in human capital terms i.e. 'to attract and retain students able to benefit from a university education ... and capable of applying the results of university research and scholarship for the benefit of local, national and international communities'. Courses must be relevant 'to the needs of the community'. 'Research and educational programs' must satisfy 'national needs' (La Trobe University 1991a, 13, 14).

Success in research is still measured in the number of significant publications and since they can be readily quantified, they make excellent 'performance indicators'. But for DEET success in the attainment of grants is seen as a more important indicator of the worth of the individual or the institution. From the point of view of the economic rationalist grants have two particular advantages — they can be readily measured and they can be used as a means of ensuring that research finance goes into projects which are meeting 'national needs'. The greater the number of academics who can be persuaded to make applications for grants the more control DEET and the minister have over the direction of the research effort of the universities, and conversely, the fewer academics left to engage in 'non productive', 'esoteric' research.

Much of the single page of La Trobe University's *Strategic Plan* devoted to research revolves around the importance of attracting research funding. The capacity of a department to attract 'competitive research funds' is seen as a measurement of that department's research effort and the overall performance of the university in this regard demonstrates 'the high quality of the University's research' (La Trobe University 1991a, 31).

But the problem for DEET and the university administrators is that for large numbers of academics grants are not essential for their research — they require only small grants or none at all. In 1991 La Trobe had only one-in-five full-time staff attracting research grants, mainly because La Trobe has no medical or engineering schools whose staff normally need large grants for their research. Even so, it is hard to escape the impression given by DEET, and within the university, that the non-grant recipients are lacking in initiative, unproductive and certainly not contributing to 'national needs' and the university's 'mission' (La Trobe University 1991b).

DEET has made it quite clear to the universities that success in attracting research grants is an important measure by which the capacity of a university to provide a suitable research environment will be judged.

Research culture, research capacity and research competitiveness are now judged on the basis of a university's capacity to attract money, thus effectively denigrating the work of all those academics who are not in this league, i.e. largely those in the non-science, non-medical areas.

The Plan is still to be implemented but the main features have been duly approved. There was something of a stunned reaction from the academics at La Trobe at the speed and efficiency (dare we say 'ruthlessness'?) with which the general approval for the Plan was secured. There are many other aspects of the Plan not discussed here. It has been used only as an example of how the discourse of the economic rationalists has permeated the university scene. Similar influences are discernible in other universities, although it is very difficult to get a national perspective.

CONCLUSION

In a time of monetary stringency and recession economic rationalism/managerialism have a particular appeal to governments, public servants and university administrators. It allows cost-cutting to be carried out quickly and with minimal interference from the operational level in the name of rationalisation and efficiency. But the real dangers to universities lie in the separation of the academic operational units from the academic administration and the general undermining of the university culture which is predicated on the free flow of ideas and free choice in individual action regarding teaching and research. University staff look askance at any interference from the outside world which may interfere with the growth of knowledge and the pursuit of excellence in scholarship and research. The academic likes best to be left alone. (Ironically, this disdain for the state; this rampant individualism is shared by the economic rationalists!) (for some discussion on this see Watts forthcoming).

However, part of the university culture is a general sharing of administrative tasks which has been seen as essential for the protection of university standards and for ensuring that it is academic considerations that are dominant in promotions, appointments and the financial allocations for administration, teaching and research. Academic administrators steeped in this culture know the limits of their power. They also know when they will be impinging on the essential individuality of the academic.

Not only do the Dawkins reforms threaten this culture, but the creation of a university SES could alter it dramatically. Academics turned top level administrators who no longer engage in teaching and research, who perhaps have done a few management courses and see their careers in administration, are growing in numbers. While some universities have retained some deans, for example, in their positions for many years, the general understanding in universities has been that academics in these administrative positions were there for fixed terms and would maintain some teaching and research ready to return to their academic positions at the end of their term. But with a permanent career-oriented SES the gap between administration and operations will widen, with administrative and academic decisions made for political and administrative reasons and with little or no input from the academics as the avenues for input are closed. These developments also clear the way for a government (perhaps not in the too-distant future) to demand that universities consider for appointment to these SES positions managers from industry and commerce who have had no experience of the university culture so that universities can more readily meet 'national and community needs'.

Over the last decade managerialism linked closely with economic rationalism has undermined the traditional university culture in Australia. Its penetration has varied between institutions and its full extent has yet to be gauged, but the indicators are that there is a vary serious challenge underway to the collegiate culture of the universities. While this is by no means perfect and varies between institutions, it does uphold the freedom of the academic not only to pursue his or her teaching and research free from outside interference, but also ensures that educational and research considerations are paramount within the institutions. It is this academic input into the universities which is being challenged and this in itself is a threat to academic freedom.

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RESPONSE TO THE GOVERNMENT–INSTITUTIONAL INTERFACE

Brian Wilson

This morning's three speakers have dealt with autonomy in quite complementary ways. One in terms of the relationships between governments and universities, one which focussed on the roles of boards of governors in relation to autonomy or confirming autonomy, and then autonomy within the institution. That is the production side of management within the university based on a critique of economic rationalism in the country at large.

David Penington, in his paper, provides a nice piece of history reminding us that university autonomy is not a process derived from holy writ. It was probably won at a time when universities were seen as largely irrelevant to society. He does not comment on academic freedom in the same direct way, but one has to remember that the role of chancellors in the middle ages was to maintain discipline — and at least one of them had cells to incarcerate refractory academic staff. So again, academic freedom is probably a recent concept. Nevertheless, it is the key to our universities that they do better if they are autonomous, and if their staffs have academic freedom. While academic freedom means different things to different people, the right, even the responsibility, of individuals to speak on issues of which they have particular competence, should not be gainsaid. Although, as you are aware, it was very recently reportedly attacked by the premier of New South Wales.

David's paper reminds us that the proper definition of terms is crucial to informed debate and in his paper he defines autonomy, accountability and national needs. Accountability has been a catch-word of the 1980s, leading to John Dawkins' tautology that an increase in autonomy requires greater accountability. But the specific issues in the new federalism debate really relate to the issue of how funding of the institutions is going to take place and in his paper he comments on performance indicators, of the problems of universities Acts, and so forth. I think it is very important to recall that so far not a lot of attention has been paid to this aspect of the funding of the universities. One commentator suggested that really there would be no change because after all the states operate only as post boxes — the money that goes to the state is immediately transferred to the university and consequently the transfer of authority to the Commonwealth by the premiers did not really constitute anything. Obviously this point was seen as a bargaining element in terms of other issues.

We have also heard that the states, despite this, have a major interest and would not easily relax it. I think that David's paper shows in detail the various complicated issues that will arise if they are not explored before one accepts the apparent innocent transfer of funding authority directly to the Commonwealth. I will come back to that in a moment.

Leonie talked about her experiences in the former Tertiary Education Commission and in the CTEC that followed it, and suggested that we are much worse off now than we were then. She expressed some surprise that vice-chancellors seem to be taking a really different tack, and maybe the term that she was really looking for was a folly of vice-chancellors. However, we discussed those issues in some detail at the beginning of yesterday and I do not want to rehash, but the importance of multiple sources of funding is, of course, recognised by us all.

The main matter that she talked about related to the trustee issue, or the role of governing bodies in our organisation. She talked about appropriate size and the contradictions in the White Paper were related to the trustee role as opposed to the board of directors' role as well as the contradiction between autonomy and the delegation of two chief executive officers to implement what the Commonwealth wanted us all to do. She suggested that this is a creative problem for councils and senates, but she did not explore what it would do for vice-chancellors.

I think that one of the real concerns that she talked about (and it came up in Bob Bessant's paper as well) relates to the conflict between the traditional collegial role, when universities were run by registrars, and the managerial role which has now come in. The real problem that I see in this relates to the fact that if we do move in that direction we will be placing a lot of faith in the transfer of authority to the Commonwealth (that is, if we shift to having Commonwealth Acts to determine our future, we are going to have real problems). My feeling is that it is better to have a post-box situation, than to move down that track.

All of the issues that are explored by David, and also the issues that Leonie relates to (her concerns about management of the institution), would be exacerbated if we all had an essentially similar Commonwealth tax. There would be major problems for a state such as Queensland, which really is looking to establish campuses at Cairns and Mackay, and ultimately, a campus at the Gold Coast. I am sure that the Commonwealth would be much less receptive to local needs than the state. An obvious example of that is the development of the Northern Territory University, which was totally opposed by governments of all kinds, and is now a flourishing institution in its own right and doing significant things in terms of retaining professionals within the Northern Territory.

I know nothing about economic rationalism (certainly not theoretically), but I found Bob Bessant's paper fascinating to read. It is a long paper, but it is detailed and very readable, and provides a critique of economic rationalism as he sees it having developed since the Hawke Government came to power in 1983. He identifies the perceived need to ascertain ministerial control in order to initiate economic reforms, which were found necessary when the country's overall economic situation was examined by the new government's economic ministers, particularly in relation to the balance of trade. I have no doubt that John Dawkins initiated the higher education reforms through his Green and White Papers in order to develop a more focussed graduate output for an economic scenario. It is interesting to note that he moved, prior to the circulation of the Green and White Papers, to remove CTEC as an intergovernmental body and substitute direct control, or oversight, to the Department of Employment, Education and Training.

The amalgamation process, to reduce numbers of institutions to a more manageable level, and also to provide greater homogeneity of institutions more amenable to management by relatively simple indices of size and mix, was part of this process. No longer does government have to cope with small agricultural colleges in terms of their particular needs — folded into larger institutions they are much more amenable to management by index of size and mix. Although the process was initiated by the Green Paper, it was either aided, or totally ignored, by state governments. It was certainly seized upon by the higher education system and partners were eagerly sought immediately after the Green Paper was released. Not only by the small and unprotected, but by some of the larger institutions unthreatened by the 2000, 5000, 8000 EFTSU yardsticks of increasing independence. So we cannot throw all the blame onto government, even though we did not know then we were economic rationalist institutions. Most of us were mildly supportive because, with the impending demise of the binary system; the contemplation of 66 universities of such differing size, culture and levels of sophistication, was really too difficult to live with.

I would like to end by offering a somewhat different picture of my own institution — I am again, perspectively different. When I came to the University of Queensland in 1979 from a Canadian economic background I found a totally different kind of organisational structure. When I asked department heads (and I had 65 of them) to whom they reported, one-third of them said, 'I guess to you', one-third said 'I guess to the academic board', and one-third said, 'I don't know'.

This is very different from the North American scene where reporting does not necessarily mean that you have to tell stories — you actually have to go and get resources. But allocation of resources at the University of Queensland was by committees whose membership revolved every two years so that they divided tutorships into quarters and maintenance money into hundreds of dollars and allocated those on an annual round. There were 14 of these committees and department heads

— essentially their role was to maximise the return from each tap, so you might get a piece of equipment, but not the technician to run it, or you might get the technician and not the piece of equipment.

So we moved to rationalise that — economically I am not sure, but sensibly, I thought. Rather than setting up a committee that I chose (which would have been the sensible thing), I set up a committee which was composed of all the elected people that I could find. That is, people who were elected to be president of the academic board, elected to be deputy president, elected to be the president of the Staffs' Association, or elected to the union; and headed it by someone who was then responsible for civil liberties in Queensland (quite a job in itself), and it came up with a rationalisation of the process. Consequently we have the kind of thing that is feared in Dr Bessant's paper, but in fact, a review after five years of 72 submissions showed that only one of them wanted to go back to where they had been, and a review which is currently underway has nobody wanting to go back to where it was. I guess people cannot remember that far back, in any event.

My perspective in this is that if you are running an institution with an expenditure budget of $300 million dollars, you cannot do it just by elected committees. You have to have some kind of structure and the real task is to try and retain somehow the collegiality that was there with some kind of managerial process that can, with luck, get all of the money spent before the year runs out so that we are not totally embarrassed by it. As Dr Bessant says in his paper, it is difficult to get a national perspective of what has happened, but I thought I would give you a picture of what has happened in another institution some distance away.

RESPONSE TO THE GOVERNMENT–INSTITUTIONAL INTERFACE

Rae Wear

My response to the three papers on the institutional perspective is based on familiarity with the ex-CAE side of the tertiary divide and is based on experiences of one institution, the Darling Downs Institute of Advanced Education (DDIAE), now the University of Southern Queensland (USQ). Research carried out by one of my colleagues[1] along with anectdotal evidence suggest that the USQ's experiences are not unique and are common to many of the old CAEs, especially those in the regions.

The evidence suggests that the different history and culture of the old CAEs, combined with relatively poorer funding, makes them more receptive than the old universities to government control and less concerned with the question of autonomy. Although there is a unified system, there is by no means a unified or uniform response to the innovations of the Dawkins era.

It is clear from the papers in this section that within the traditional university system there is a strong perception of loss of autonomy as a consequence of the abolition of the binary system and other Dawkins-inspired changes. This is linked with other losses: the loss of liberal courses as more vocational courses are demanded 'in the national interest'; the loss of collegial self-governance in favour of a top-down managerialist approach, and finally and most significantly, the possible loss of academic freedom.

The new universities, however, do not appear to share these fears. The charter of the old CAEs was to provide vocational courses, so there is naturally little resistance to a continuing emphasis on 'skills which are seen as basic for employment in the industrial and commercial world'. There is also no nostalgia for traditional liberal ideas of a broad general education which were largely absent from the CAE philosophy.

The CAEs were also accustomed to referring decisions on academic planning and priorities to government bodies, so that they have already experienced a measure of government control. On top of this, as Cameron has observed, colleges have always had stronger management control at the expense of academic self-governance than the universities. College councils tended to act as rubber stamps rather than as sources of independent advice. For these reasons, perceptions of loss of collegiality are far less marked in the new universities than in the old. As far as academic freedom is concerned, the vocational orientation and strong direction from the top meant that academic freedom was sometimes compromised. At the old DDIAE, for example, 'curiosity-driven' research was frowned upon.

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[1] Bruce Millett, Ph.D, Griffith University, work in progress.

The ending of the binary system brought modest changes in the shape of increased respect for theoretical and liberal courses and a willingness to experiment with more collegial systems of governance. This is the other side of the the levelling process to which Penington refers. Such gains, however, are fragile and are insufficient to support a culture of resistance to external intervention, especially when combined with severe funding shortages. Lack of a robust university culture combined with a desperate need for funds makes the new institutions far more likely to enter into Faustian contracts than the old established universities. The USQ, for example, has a total budget of $62 million whilst endowments alone to the University of Sydney total $65 million. This relative poverty has come about as a consequence of virtually no research funding and a deliberate policy of overenrolment in order to avoid amalgamation.

The need for income has produced not only a drive for research funding (often fruitless because of lack of experience and contacts) but an increased emphasis on consultancy and running professional development and short training courses. Funds earned from these kinds of activities are usually divided between participating staff members and their schools. Income thus earned permits attendance at conferences and seminars which otherwise would not be possible.

Endeavours like these distract academics from both research and teaching. Indeed, teaching, which the CAEs once took pride in doing well, now comes a poor second to research in evaluating a staff member's worth. Research has become something of an obsession, yet it is difficult for the former CAEs to compete with established universities in attracting research grants and industry investment. This is especially true of new universities located in depressed rural areas. Most are trying to find a market niche which has not already been taken and attempt to channel research efforts in that direction. Bob Bessant's comments on the direction of current research are especially pertinent.

Because financial pressures are so great, there is a considerable temptation for the new universities to accept external control in return for improved funding and status. The combination of funding shortages and lack of a 'university' culture means that there is little questioning of government policies and a widespread willingness to embrace them. Issues of institutional autonomy are rarely raised, perhaps because the ready compliance with government wishes creates an illusion of autonomy. Because there are no major points of friction, there is little recognition of government control.

RESPONSE TO THE GOVERNMENT–INSTITUTIONAL INTERFACE

Adam Graycar

These three papers are about autonomy and threats (perceived or real) to autonomy — whether the threats come from governments or markets. As a bureaucrat I often find myself in a fairly difficult situation in teasing out issues of autonomy and accountability. The papers presented in this session dissect different approaches and different contexts of autonomy and examine the drift to control which, it is strongly argued, is against the best interests of universities, and which hinders quality. The debate is fundamentally about dependence and independence, and about processes and mechanisms of developing *shared visions*. Professor Kramer used the old quote 'he who pays the piper calls the tune' but I am sure that she would agree with the corollary, and that is 'he who calls the tune is often tone deaf'.

We have two sets of relationships that are quite important. On the one hand there is the relationship of universities with the state — with a small s, and as Professor Penington pointed out the relationship of the Commonwealth and the States, with a big S. Although Minister Baldwin has expressed surprise that the Federalism Research Centre was running this Conference (because he thought it had all been sorted out), Professor Penington clearly highlighted that there is a very important task in unravelling Commonwealth–state roles and relationships.

In federalism terms higher education is not all that complex — certainly not when compared with areas such as health care or transport. Higher Education is simple in comparison when we consider that we have:

- a unified national system
- the linking together of a number of institutions which operate under state legislation
- a process which is driven by direct funding and joint planning — and this reflects the very many stakeholders.

Arguments take place over:

- funding support
- consultation and dialogue about national objectives and state priorities

- academic freedom, and tensions about that freedom, tensions that, as Professor Penington pointed out, have always been there
- tensions about substantive and procedural autonomy.

The States (with a big S) do play a key role, a role which is insufficiently appreciated by both the Commonwealth and the universities — I think 'insufficiently appreciated' is a gentle euphemism for 'resented'. This is a very difficult one, and coming from one of the small states it is even more complicated because the Commonwealth obviously has a total overview and smaller states seem quite vulnerable. They seem to be in danger of being run over by a statistical steamroller because there is just not an opportunity often to identify all of the diverse issues and all the complexities and get the message across.

The institutions see the states as having the potential to interfere with their autonomy. We talked about the development of state strategic plans. These have arisen out of an attempt to move the post-box function, which is essentially the cheque-writing function. Nevertheless the use of state strategic plans as a means of identifying state priorities within national objectives is not always easy to attain. In our state we thought this was a fairly simple process, that is developing a set of state strategic issues as a basis for consultation and negotiation. Some of our universities have seen this as a potential intrusion into the way in which they do things. The correspondence that went back and forth clearly indicated that this was seen as a threat to their autonomy, because we were proposing to deal cooperatively — within a context in which there is great competition — with the unified state strategic plan.

Nevertheless our state universities continually invite state ministers to their campuses, the vice-chancellors continually seek appointments with state ministers — not only education ministers but other ministers whose portfolio areas cover significant fields of activity within the universities — agriculture ministers, environment ministers, health ministers, industrial development ministers etc. These ministries have significant links with the universities and on the other hand the universities without a doubt are key players in our state economy, and obviously key players in the development of our social, cultural, scientific, industrial and economic futures. The links are strong. They must be strengthened. Whether the link is a post box, which is not a terribly strong link, the real link is about process — it is about substance.

This then gets us into questions of autonomy, and as Professor Kramer pointed out autonomy can enhance and maximise quality, and quality she argues will be improved with greater autonomy. But with quality also comes relevance, and we have issues of who decides: who decides what — does the market decide? Do governing bodies decide? Do those who draw up state strategic plans in consultation decide? And how do advocates of low status disciplines get their message across?

Derek Bok who recently retired as President of Harvard University wrote in a recent book *Universities and the Future of America* 'most universities exhibit a pattern of effort that seems uncomfortably out of line with the nations needs.' It may be fine for Bok to make that observation but if a bureaucrat like me were to make that point or to pursue that argument it could be seen as the beginning of an autonomy attack.

Bok for example argues that all of our scientific, medical and technological advances will come to nought unless the fabric of society remains intact and that requires a lot more effort in certain low-status disciplines — and he highlighted three disciplines that get fairly short shrift in leading American universities. They are social work, education, and public administration. His argument was that the complexity of American society and the deterioration of American society needs good social workers, good teachers and educationists and good public administrators because without them the fabric of society will fall apart.

The market is not going to ensure more funds for social work, education, and public administration — they do not have terribly high standing in the universities. They often do not do terribly well because they are not very glamorous and they do not bring in very much money and there is no champion for them. Championing their causes, just as an example, might not be what economic rationalist might do, but if it is done by bureaucrats, there could well be attention about the whole issue of autonomy and it may sit uncomfortably with Professor Penington's substantive autonomy.

So the issue essentially is how do we trade off the tensions of accountability, coordination, and control? These are the three items that are most apparent when we talk about autonomy. How do we ensure quality and relevance within that framework of autonomy, accountability, coordination and control? One of the boundaries of our activities, and it is very important to talk about boundaries because this gives us an understanding of some of the issues of autonomy — are our universities part of a regional system, a state system, a national system or an international system?

- Where do the boundaries of activity and loyalty lie? Are we oriented to international scholarship — or to the kids down the street who perhaps find difficulty in getting in?
- Where are the stakeholders and where are the customers? Who is to be included and who is to be excluded? What are the potentials for exclusion through our higher education system?
- What obligations do we owe, within our higher education system, to the various customers and stakeholders?
- What political leverage do customers and stakeholders exert?

I think these are very fundamental political questions that deal with issues of leverage, boundaries, autonomy (accountability, coordination, and control), quality, relevance, and all of us together at this conference have been given a good start by these three papers to start to explore together in a cooperative and consultative way means by which we can start to build the shared visions and processes that are very important in a federal system.

Part Five
Overview and Conclusions

OVERVIEW AND CONCLUSIONS

Di Zetlin

I thought I would try to do three things. The first was to worry about some of the assumptions upon which this conference is being based. The second was to try and identify some perspectives on the changing roles between the Commonwealth, states and institutions. Third, and it has been one of the sleeping issues through the conference, is to make a few comments about the role of industrial relations in higher education.

I think that in lots of ways this has been a very important conference — very challenging in terms of scope of the issues that have been canvassed. I think that the agenda set really the two big issues and Cliff Walsh did mention this in the introduction, as being the question of financing and autonomy. As the conference progressed I must admit that I started to wonder whether taking those as the two dominant issues that we have to confront was, in a sense, simply trying to reshuffle the deck chairs on the *Titanic*. I would like to explore that just a little.

It seems to me that the assumption that a shift in the funding mechanism to a student-driven funding mechanism solves many of the problems needs to be teased out a little bit. Professor Karmel, when he was speaking, said that there were basically four reasons why he assumed that deregulation and a shift to student-based funding was going to be the next phase. The first of the four reasons that he gave was that the institutions are stronger and better able to cope with the hazards of moving to a market regulated system. As I thought about that it occurred to me that in some respects he is right. I think the reduction in the number of institutions has, in many respects, provided us with stronger institutions; they are certainly larger and more complex.

But in other respects, I do not believe that we have solved the question of the shape of our institutions. I certainly think that it is fairly clear on the basis of the comments at this conference, that there is still a level of crisis within the system about institutions actually understanding what their mission is. Professor Kramer's comment that the academic freedom that academic staff enjoy in institutions now is or should be the freedom to be anonymous in a foreign city, was a very telling comment. But if that is the freedom that academic staff feel that they enjoy, then it is hardly a very healthy reflection on the strength of our institutions.

There were comments, in particular by Rae Wear, about the ongoing problems of amalgamated institutions, and the lack that still exists of understanding what the purposes of amalgamated institutions are, and how we are going to redefine the mission of our larger institutions. So, I am not persuaded that universities have become uniformly stronger and therefore are in a position to withstand the slings and arrows of the market place.

The second reason that Professor Karmel advanced was that we are operating in a market environment. And, again, as I thought about that I thought, well, yes and no. We are to some extent, but one of the sub-themes that has been running through this particular conference, as it is a sub-theme that runs through many of the debates, is the critique of economic rationalism that is emerging. I think Bob Bessant's paper pointed to that, and of course, the work of Michael Pusey in terms of economic rationalism and the bureaucracy is very interesting. But there are other areas where you are getting a sub-text of a critique of economic rationalism. In terms of the proceedings of this conference, the comments that Adam Graycar made about the need for the provision of a social fabric in areas like the ones that he nominated — social work, education and public administration — stand as a critique of economic rationalism. In many respects, and in terms of the economic environment more generally, the work of people such as Michael Porter points to some of the weaknesses of an unfettered version of economic rationalism. So I am not persuaded on that ground that we have the necessary settings to move into a deregulated environment.

The third area that Professor Karmel mentioned was that HECS in fact opens the way for a more student-driven system of funding. We do have to reflect on that. The problems that were identified of understanding what the pricing mechanism might be, and also problems of discriminating between private and public goods in higher education, are very important considerations. I must say that as I thought about the possibilities of HECS being extended, one of the things that occurred to me is that we may end up with a situation that I suppose exists in America. In Australia people buy a house and mortgage their life to it. In America, in many cases you have a situation where people buy a degree and mortgage a good part of their life to it. There is a possibility that HECS could be used as that sort of vehicle, but whether that is something that we want to pursue as a matter of public policy and financing is something that needs to be investigated more thoroughly than has been the case at this conference.

The fourth reason that Professor Karmel put forward was that the present system is not coordinated, and that is a reason for turning to marketing by student-driven means. I thought that was fascinating — I think it is one of the few times that I have heard the argument about planning and markets turned on its head. Normally you get the argument that planning has to step in to cope with market failure, and I thought it was really interesting to have an argument advanced that markets have to step in to deal with planning failure. But one of the tensions that has been running through this conference, and not always expressed, is the balance between planning and markets. To make the assumption that if the planning mechanisms are not working the market needs to step in is perhaps taking the debate too far.

The problem as I see it is that the assumptions about moving towards a market system are based on propositions that are not necessarily fully articulated. I am a little saddened by the fact that alternatives to market regulation and alternatives to a deregulated environment perhaps are not getting the full policy airing that they really need. For example, David Cameron hinted at some of those alternative approaches when he identified the common themes occurring internationally in terms of changes in public policy. Several other speakers, particularly Bob Bessant and Adam Graycar, suggested some of the dimensions of the policy debate that are often missing.

So from my point of view one of the issues is that the market proposals we are dealing with have to be thought out a great deal more carefully. I have been a very interested observer in the development of Professor Karmel's scheme for alternative financing, and I think it is developing a solid base for construction. It is a bit like the proposition that the broad design concept was set down with propositions about vouchers and now that we are actually building a house, the design is being modified very substantially. That is an interesting process to watch and a very important one. I think we do have to explore those possibilities in a much more rigorous way.

There are a number of elements that we have not even touched on in this debate, and some of those are the quite radical shifts that could take place within the legislative environment of the universities. Michael Gallagher suggested one of those areas where universities, in a sense, would become subject to the whole issue of contracting, and the fulfilment of contracts between staff and students. The implications of that are profound and have not been teased out in any substantive way. There are other legislative issues there such as, for example, the question of trade practices legislation that I would like to see more investigation of if we are going to flesh out some of these proposals.

But what I would like to see, and what is not happening enough, is that at the same time as we are fleshing out these proposals and looking at them in detail, we do reflect more upon the alternative policy mechanisms that might be available. There are three things that I want to draw attention to in relation to that. The first is that one of the things we need to recognise, and Professor Cameron's paper identified this, is that internationally universities are going through a period of very, very profound change. I would like to pick out three of those areas of profound change that apply most tellingly to Australia. They are the development of higher education as part of the mass system of higher education and all of the implications that are involved, and industrial and governmental pressures for greater accountability and the economic contribution to be made by education.

In relation to students, there has been a shift to human capital theory as the major mechanism by which we value the transmission of knowledge to students and in research it has meant the cause for greater industry collaboration. It concerns me that very few of these matters were taken up critically within the context of these proceedings. The third feature, of course, is the phenomenon of fiscal squeeze and the impact of that on funding. It seems to me that there does need to be a much more rigorous approach to trying to tease out what the policy implications of those changes are, and I am not satisfied that jiggling around with funding arrangements is going to provide the answer, or provide the solution, to some of the problems that are thrown off by such phenomena.

The three policy areas that I have identified do mean that there are quite profound changes going on in the relationship between different levels of government and institutions. There have been comments made that both FAUSA and the AVCC are centralist, and I think there are some self-interested reasons for being so. One of the reasons is that there is an argument that institutions benefit from the diversity between state and Commonwealth governments. I think there is also an argument that the more remote the level of government, the more institutions can escape from the rigours of accountability. Just as a reminder that state governments can be very intrusive, I think it is worthwhile noting that it is really only in NSW where the state government intervenes very heavily that the sorts of change in governing bodies that the Dawkins White Paper envisaged have actually been brought about.

At the Commonwealth level, without the support of state governments, the government has actually been able to achieve very little in terms of changing the composition of governing bodies, and it has been that closer level of involvement by the state government that has been more interventionist. So I think there is a self-interested argument to some extent here.

Having said that though, one of the things that does need to be acknowledged is the whole issue of federalism and the role of state governments. It is a bit of a sleeping issue for higher education. In this respect I am not putting forward a radically different position to that of my colleague Campbell Sharman. We do need to think much more carefully about what the roles of the Commonwealth and state governments are in the interests of the system as a whole, rather than in the 'self-interested' interests of what we can get away with in terms of avoiding the long arm of government. I think it is fairly clear that there is — or there is potentially — a role for state governments in areas of planning, and the allocation of student numbers. In terms of the research function, the closer links between industry and the research community are likely to lead to a greater interest from state governments in what goes on in institutions. So this is an area that needs more exploring.

Finally, in terms of the levels at which the system is changing, something does have to be said about the institutions. I share some of Professor Cameron's concerns about whether or not institutions can legitimately claim autonomy under the present environment. I am not satisfied that they can. In order to claim autonomy, institutions need to have a much higher level of public support than they currently have. They need to have a much better understanding of their purposes and a much better capacity to communicate those purposes. There is an external problem of autonomy in terms of public support. That is partly identified in the fact that it is fairly clear on the basis of contributions today, that we do not even really know who our public is. Is it the sort of diffuse-markets approach that Professor Penington was outlining, or is it the responsiveness to local and community needs as, to some extent Rae Wear was suggesting, and certainly as Adam Graycar was suggesting?

Given that we do not even know who our public is, we have some fairly serious problems there. But the other side of autonomy, of course, is the level of internal support that institutions have. Here I have to differ from the comments of Professor Cameron. If you think that academic staff moving into unionism is somehow embracing a collective security, you are very sadly wrong. The whole process of unionisation and the process of academic staff taking the responsibility for pursuing matters relating to their salaries and conditions, has been particularly complex and has certainly not engendered collective security. It has been a very profound experience for all members of academic staff.

But we have to say that there is a real crisis within institutions in terms of the relationship between management and staff and that management of institutions currently do not enjoy the confidence of the majority of staff.

OVERVIEW AND CONCLUSIONS

Campbell Sharman

I come to the question of the governance of Australian higher education as someone with an interest in federalism and institutional design: the way in which institutions shape and reflect the values of those who design and operate them. Institutions are not neutral: they have their own logic which may enhance or obstruct the achievement of certain goals.

From this perspective I was very interested in the comments of professors Karmel, Kramer and Penington on the close relationship between the institutional independence of universities and the current Commonwealth funding arrangements. It has always been a puzzle to me that the present Commonwealth government has had one institutional logic for dealing with most areas of public policy, and quite a different one for universities. While a policy of deregulation, the encouragement of self-funding, and autonomous action in response to the relevant markets has applied to most areas under Commonwealth government, this has not applied to higher education. The general thrust of Commonwealth policy has been to insulate universities from making their own decisions about their size, growth and financing with the effect of reducing the resilience of the higher education sector.

One of the most debilitating aspects of this process has been the overwhelming dependence of universities on a single source of government funding and on a single governmental agency for key decisions about the allocation of resources. Dependence on a single agency for universities is a formula for disaster. It encourages university administrators to spend most of their time working out how to cheat the funding agency and work the system to their advantage instead of dealing with the real problems of providing the best services to their diverse constituencies. It seems to me that previous speakers who were defending the CTEC system did so precisely because it provided an institutional buffer between a single funding agency and universities. The duplication and overlap of the CTEC arrangements were valuable precisely because they were messy and cumbersome. These attributes forced repeated consideration of persistent problems, made visible the range and intensity of opinions, and were much more likely to result in broadly acceptable compromises than the present system, with its penchant for imposed bureaucratic solutions, often made with little consideration or care for the implications of arbitrary shifts in policy.

My major concern, however, is to argue that it is critically important for the health of the university system to retain and enhance the role of state governments in making decisions about higher education. There are three reasons for this: the first, and most obvious, is that the overwhelming majority of universities are state universities, intimately involved with the educational, social and economic life of state political communities. As Adam Graycar has pointed out, universities are part of the fabric of community life. The establishment of the first university in each state was a matter of great pride and sense of achievement. While, as has been noted, there has been only a limited tradition of private benefaction of universities in Australia (my own university, the University of Western Australia, being a major exception), universities have relied on community support though state government action. As the sphere of government most closely informed of the complex social and economic transactions between universities and their communities, it is essential that state governments remain involved in university administration.

The second reason, also an obvious one, is that all state universities are creatures of state law. Too much has been made of the silly remark attributed to premier Greiner that control of the formal structures of universities should be transferred to Canberra. Quite apart from the horrendous complexity of amending a myriad of state Acts to achieve this, the idea of such a transfer is absurd. It is true that universities have had their sense of commitment to their state communities attenuated as a result of their focus on Canberra as a source of funds, but the attempted transfer of formal control from the states would create a political storm.

Part of the reason why the states accepted Commonwealth dominance in university funding was the belief that Canberra could carry the financial pain but that the states could intervene whenever their political interests were directly affected. This would not happen often, but the potential for a state to override its delegation of influence to Canberra was always there in reserve. This has indeed happened, the recent amalgamation process being the best example. Amalgamations between higher education institutions require state legislation and hence are part of the state political process. While it was Canberra that initiated the policy, it has been state rather than Commonwealth considerations that have shaped the nature of university amalgamations, and has determined which have gone ahead and which have failed. There is no prospect that any state would yield this source of political power to the Commonwealth.

It is a shame that vice chancellors do not take more notice of this. Vice-chancellors as the chief intermediaries between a Canberra funding agency and universities have all too often resented what they have seen as state government interference in their relations with Canberra. They prefer cosy, bilaterally negotiated solutions with the Commonwealth rather than the more complicated process of multilateral relations with both Commonwealth and state agencies. Vice-chancellors are also reluctant to involve the states because university administrators know that it is easier to bluff Canberra with an administrative scheme than it is a state politician. But it is critical for the independence of universities that they rely more heavily on state governments both because it is on them that the formal existence of universities depends and because the states can play a vital role in acting as a buffer or an alternative route for influence between universities and a powerful central funding authority. Close state involvement in university affairs is a form of insurance that no university can afford to be without.

This brings me to the third reason. One of the great advantages of a federal system is that it provides for competing centres of power. Just as the partisan competition for office makes government responsive to citizens and groups in the community, so does the competition for influence between state and national spheres of government. This duplication and overlap is often regarded as undesirable and inefficient, and in some circumstances this may be the case, but where it generates competition between governments to provide the best services it is beneficial. This so called institutional redundancy can have all kinds of virtuous effects. It not only provides the possibility of competition from which universities can benefit, but it is likely to produce a much more varied and diverse system than one produced by a single, all-powerful government.

No single government has a monopoly of the truth and the last thing that we need is a system that can collapse because a dominating central authority makes some stupid decisions. The great virtue of involving both spheres of government, multiple sources of income, and a wide range of institutional structures for higher education, is that this produces a much more resilient system than the one we have at present. This resilience would provide a variety of solutions to similar problems, and allow institutions with idiosyncratic problems to find their own answers. Academic freedom is based on the notion of the competition of ideas: how can this be fostered unless there is a constant pressure to enhance variety and competition in and between university institutions? The more the states are involved in exercising their responsibility for university policy, the less the chance of success for some mindless policy of uniformity being imposed in the name of the national interest.

It is on this point that I would like to conclude. Why should the Commonwealth be involved in university policy at all? Why couldn't the diversity between eight state and territory systems be adequate for variety and institutional resilience? The standard reply of Commonwealth representatives is to say that higher education is a matter of national significance. This, however, is an assertion not a reason, and may simply reflect the self-interest of the Commonwealth and its agencies. If the Commonwealth wants to be involved in some policy area, it automatically uses the rhetoric of national importance as an exercise in self-justification, and to avoid debate on the merits of the case.

To answer my question, there are two aspects of university policy where there are good reasons for Commonwealth involvement to some degree. The first has to do with funding scholarships for students, the second with research funding. Both of these, as the economists would say, involve externalities which have national significance. Other than these two fields, Commonwealth involvement is likely to produce as many costs as benefits. It seems to me there are no arguments in favour of the Commonwealth being the sole agency running Australian universities if they are to survive as lively and productive centres of independent teaching and research.

OVERVIEW AND CONCLUSIONS

David Cameron

I would be wise to retreat again into the arcane world of international comparisons and I certainly would not be so rude as to make direct comments on circumstances in Australia. I have been struck by how familiar many of the themes are, not only to a Canadian, but generally to one interested in the contemporary problems of universities and governments. The fool that I am leads me where angels would use more discretion. I will, however, refrain from any direct comments on circumstances here.

One thing that did strike me was that the two solitudes are very much intact — government and universites seem determined to misunderstand each other, to abuse each other here, as elsewhere. I would like to address more particularly the university side of those two solitudes. I get the impression, as I often do in this kind of debate in Canada, that the hope remains fond that somehow, some day, it will all just go away and we can get back to the business of teaching and writing. I do not think that government will go away, and I doubt very much that you really think government will go away. I am sure it does help to have more than one paymaster, but they each exact their pounds of flesh.

I think if government did go away — and I sense that is perhaps part of the fondness with which so many of us look upon the possibility of greater deregulation — we ought to pause to consider why governments might take action like that. I can only think of two reasons why governments might turn universities loose and reduce the reach of their regulatory arm. One reason would be because they do not really care any more and their sense of the public interest dictates that universities can be left to flounder on their own. The money may not any longer be left on the traditional stump, but the idea that it might simply be put on the stumpy little heads of students is to misunderstand why governments are driven to regulation, by whatever means.

The other possibility, and a more realistic one, is that governments might think the system would actually work better. How confident are the universities that it would, and what would they do if it did not? I doubt very much that public interest would allow governments — here, elsewhere, federal, state or provincial — simply to take what comes from the universities. That brings me to the point made many times in the Canadian context usually to bewilderment, frustration or anger, depending on the audience. That is, if universities feel justified in demanding institutional autonomy, they have somehow to learn to behave autonomously. By that I do not mean that they have to demand the prerequisites of autonomy, I simply mean they have to behave like responsible autonomous institutions funded at public expense with the enormous responsibility of educating others. That is their task. I think that, in the course of all of our railings against government regulation, we also ought to reflect on the extent to which we have abandoned the capacity to exercise the autonomy we so earnestly seek.

Universities come in different sizes and shapes. The names are different and the specific titles change. But, with the odd exception — the occasional Oxford — most of us are organised and operate in remarkably similar fashion. There is some kind of a governing board, there is a hierarchical structure of academic administration and there are the faculties. There are other stakeholders, some of them represented through, or in, one or another of these agencies. But the three principal governing bodies (participants in the university enterprise in the governmental or managerial sense) are the governing board, the administration and the faculties.

Not only is each one of these capable of ensuring the failure of the others, but that is pretty much what we have been bent on achieving in recent years and, I have felt, in particular governing boards and faculty. Having been a vice president of a university for five years, I feel, if not crucified, then expiated of all of the sins of senior administration. That task is impossible, and anyone who survives for five years or more needs to be forgiven, not criticised. I do call faculty. I can understand the reasons, but I think we have, across most jurisdictional divides, abandoned any right to participate in the government of universities. With all due respect, there is no more certain mark of that than our retreat into the collectivised security of immunisation. If nothing else it removes the moral authority with which faculty claim the right to participate in the governance of institutions. I think governing boards, for the most part, have also failed the university. They have failed it in two ways: some by not trying hard enough, and others by trying too hard. Their task is not to govern the university but to see that it is well governed.

I have one more thing to say, although obviously this discussion can go on for a long time. I think somehow we have to put those three components of the university governance structure back into some kind of joint, cooperative enterprise, or we will have to drop any further claim to institutional autonomy. I would like to point to one element that I think would mark some move to institutional maturity, and therefore the moral right to claim institutional autonomy. That would be for universities themselves to accept the obligation to account for the public trust that they claim is the substance of institutional autonomy.

It does not matter to me whether that concept is tarted up by terms like performance indicators, accountability, etc. It simply means that an institution that claims to operate on the basis of scholarship and the merit of that scholarship has no right to refuse to demonstrate the competence with which it has exercised that trust. I would, for the sake of argument, point to two roles that I think performance indicators or accountability measures demand of the university — and if it does not come from those sources, it will be utterly meaningless. First, governing boards in whatever shape they exist, have an essential responsibility to demand that results, if not measured, be accounted for, and they have a further responsibility to ensure that the results of that accounting are acted on appropriately. And that means both when the results are positive and when they are negative.

Second, there is an enormous challenge for presidents and vice-chancellors, and those who report to them, to provide the critical leadership role in this regard. To oversee the process, to persuade faculty that it is essential and in their interest, and to defend them when the results for the time being may not be entirely positive. Somehow, faculty have to accept that what they do is not sufficiently accounted for by their doing it well. It must be seen to be done well and it never ceases to amaze me that we, who earn our living grading students, are so utterly incapable of accepting any kind of measurement, let alone grading, of our own work.

All of this is really just a means to an end until universities as institutions (that is, as communities of the people it constitutes) are able to behave more strategically. I do not mean engaging in strategic planning. I mean to behave strategically — to make choices and make them stick. Until then I do not think they have earned the right to claim the autonomy which is so essential to their mission. Therefore I think we are in for more difficult times if we do not 'bite the bullet' and get on with it.

FEDERALISM AND PUBLIC POLICY

THE GOVERNANCE AND FUNDING OF AUSTRALIAN HIGHER EDUCATION

NEIL MARSHALL AND CLIFF WALSH
EDITORS

Since 1987 Australian higher education has been subjected to extensive change. Reformist policies implemented by the Commonwealth government have altered significantly the function and purpose of the nation's campuses. The substance of these policies has led to widespread questioning within the academic community of the suitability and efficacy of the new structures and processes that have been imposed. This book, one in a series published on Federalism and Public Policy in Australia, contains the revised versions of papers presented at a conference in Canberra on the governance and funding of higher education. The papers deal with the impact of the Commonwealth's policies on the universities. In particular the volume focuses on three major issues: the intergovernmental environment that has developed, the strengths and weaknesses of financial arrangements, and the nature of the interface between government and institutions.

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